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UNITED STATES

'Sense of Urgency,' Future Changes in U.S. Foreign Policy Viewed

40050330a Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 13, 1 Jul 88 pp 2-3

[Article by Xin Peihe 2946 3099 0678: "Americans Rethink Foreign Policy As Economic Power Diminishes"]

[Text] When people discuss how to deal with the rapidly changing international situation these days, they are apt to describe it as presenting a grim challenge as well as offering tremendous opportunities. But whether one wants to grasp the opportunity or meet the challenge calmly, there is one precondition—a sense of urgency. In Western public opinion, Gorbachev is a leader with a strong sense of urgency, the very driving force behind his firm resolve to reform. While Gorbachev's domestic reform has yet to produce notable changes at home, his actions abroad have earned him some credit. Ms Lynn Davis, a deputy assistant secretary of defense in the Carter Administration, writes in her article, "Lessons Of the Intermediate-range Nuclear Forces Treaty," "Although Gorbachev is the one who has made concessions, his many new proposals have put the West on the defensive." "What we have learned from the conclusion of the INF treaty is that the new Soviet leader presents the West with a formidable challenge."

In this new situation, does the United States, the Soviet Union's chief opponent, have a similar sense of urgency about rethinking its foreign strategy? It is hard to answer this question definitely at the moment. As the presidential election draws near, however, the U.S. Congress has launched a wide-ranging debate on U.S. foreign policy. Judging from the countless number of words uttered in the debate, this writer concludes that the sense of urgency about revising U.S. foreign policy exists not in the Reagan Administration, but among leading figures in all quarters outside the government. There are two different sources. One consists of hard-liners who are concerned that the United States would soften its position toward the Soviet Union as U.S.-Soviet relations improve. The other source is a bigger group worried about a "relative decline" in the position of the United States. The editor of FOREIGN AFFAIRS wrote in the introduction in the spring issue of the quarterly, "There seems to be a consensus that the status quo cannot be maintained. The debate is over the nature of the changes required: to stay within the mainstream of policy or seek more radical alternatives to confront the demands of a new era."

The Hard-Liners Are Deeply Upset

Some of the leading hard-liners in the United States see the detente in U.S.-Soviet relations and are deeply disturbed. They fear that U.S.-Soviet policy has been softened by Gorbachev. Nixon says in his latest book,

"1999: Victory Without War," "The beginning of the Gorbachev era does not signal the end of the confrontation between the two superpowers. It marks the opening of a new phase in a dangerous, relentless struggle." He also says, "Gorbachev sincerely does not want war, but what he is after is victory without war. If the U.S. pursues peace without victory, then it is doomed to failure." He opposes the immediate conclusion of a treaty reducing strategic weapons by 50 percent because, he argues, "it would perpetuate the decisive superiority of the Soviet Union in first-strike land-based weapons." He proposes that the United States play tough with the Soviet Union and keep up pressure on it. In his book, "Arms Reduction And Deterrence," ex-defense secretary Caspar Weinberger expresses the concern that "Gorbachev's adeptness at courting public opinion may obscure public understanding of the fundamental nature of the Soviet system." He warns that while Gorbachev may be in power for a short or long period, "no general secretary will be allowed to alter in any fundamental way the never-changing Soviet goal of world domination." Weinberger proposes the following major countermeasures. First, the U.S. must have a strong military as an incentive to the Soviet Union to reduce armaments. Only then will the United States be able to reach an accord with Moscow reducing nuclear weapons. Second, the United States must never negotiate away the Strategic Defense Initiative. Otherwise, it would be "committing a crime." Third, U.S. military spending cannot be further reduced to below the annual real increase target of 3 percent. Fourth, an arms reduction treaty with the Soviet Union must include not only a strict verification system, but also provisions for strict compliance. He finally says, "If the United States entrusts its security to the general secretary of the CPSU, that in itself suggests the United States has lost its security."

Pragmatic Faction Calls for Policy Changes

A larger number of public figures in the United States are more pragmatic when it comes to reshaping U.S. foreign policy in the future. In general, these people take a long-term view and are realistic in their thinking. It is their realization of changes in the international situation that have prompted them to put forward several novel ideas summarized as follows:

1. Three points about the understanding of the current state of America: 1) One must recognize the seriousness of the "relative decline" of the United States. Not only has the U.S. share of total world output dropped from 50 percent in the early postwar period to below 20 percent, but its share of world trade has also slipped from 20 percent to a mere 10.7 percent. In particular, one should be aware of the profound consequences of the two hefty deficits and the fact that the United States has become the world's largest debtor nation. Professor Calleo and others at the School for Advanced International Studies at Johns Hopkins University write in their book, "The Dollar and the Defense of the West," "The present financial crisis is not merely a dollar crisis. It is a crisis of

American 'hegemony' and of the global political economic order established under that hegemony." 2) One must recognize that the obligations undertaken by the United States today have exceeded its capability. Quoting A Ta Li, economic adviser to the French President, George McGovern, the former Democratic presidential candidate, said, "The world economy is undergoing major shifts of power. The economic center of gravity is moving away from the United States. When a leading country loses its economic supremacy, it must modify the global security obligations it assumed when it enjoyed overwhelming superiority." Professor Huntington of Harvard University borrows a sentence from the famous political commentator, Walter Lippmann, "Besides balancing national obligations with national power, foreign-policy makers have a reservoir of strength that can set people's minds at ease." Yet the United States today fails to achieve any balance in national power, not to mention a reservoir of strength. 3) The role of the United States in the world must be examined soberly. Michael Blumenthal, treasury secretary in the Carter Administration, said, "U.S. domination in the economic sphere is over. In its place are a triumvirate consisting of the United States, Japan, and the European Community and three currencies, the dollar, the West German mark, and the yen." Zbigniew Brzezinski put it even more cleverly, "In the future the United States will not be a world policeman, but an air traffic controller directing the many planes flying in the sky." People who share this opinion generally advocate further cuts in military spending and overseas obligations, including a radical suggestion of withdrawing some American troops from Europe and, in the 1990's, from South Korea.

2. How to deal with the Soviet Union under Gorbachev. A group led by James Chace, a senior research fellow at the Carnegie Endowment for International Peace, and George Packard, dean of the School for Advanced International Studies at Johns Hopkins University, believes that the United States should influence and steer Soviet foreign policy in a way favorable to the United States and the West. In his article, "The Great Strategy," Chace said, "The cold war of the postwar era has ended." "The containment policy should be discarded." "Soviet expansion is no longer the major threat to U.S. power and goals." The central concern of the United States is the "need not only to trim its massive trade and budget deficits, but also to rebuild the postwar world order." Packard writes in the article, "U.S. Foreign Policy in the 1990's," "If the Soviet Union in fact becomes a country which maintains the status quo, supports the United Nations, and is willing to abide by the minimum standards of international conduct, then the United States should welcome this tendency and do everything it can to encourage it." Another group represented by George McGovern proposes that the United States and the Soviet Union emphasize their extensive common interests and reach an understanding on a joint effort to resolve regional conflicts.

3. The focus of U.S. foreign policy. A majority of people still consider Europe the focus of U.S. diplomacy and

emphasize the greater need to cement U.S.-European political unity in view of Gorbachev's new offensive to divide them.

Chace, however, argues that the mission of U.S. foreign strategy in the future is to "pave the way for negotiations with the Soviet Union on the question of peace, and not to turn the cold war into a lasting legacy." "The new strategy," therefore, "should be to scale back American involvement in the Third World and reorganize the postwar system of alliances." Also, the "United States needs to shift the focus of its foreign policy to the Far East," where vital economic interests are at stake. "Changes in the balance of power present the United States with opportunities as well as challenges."

In his article, "America's New Geostrategy," Brzezinski argues that in military terms, the likelihood of the Soviet Union launching a major attack on Western Europe is diminishing by the day. Politically and ideologically, the "Soviet Union may be on the defensive in the future vis-a-vis the West." In Asia and the Pacific region, Japan is capable of defending itself effectively. Moreover, a new stable relationship has developed between the United States and the PRC. Thus there will be three focal points in America's future global geopolitics: Eastern Europe, the Persian Gulf and the Middle East, and Central America.

Packard calls the next century the "Pacific Century." The "U.S.-Japanese partnership will be of vital importance." Brzezinski calls for measures to establish more intimate political ties and organic economic links between these two countries so that through economic and technical integration, the United States and Japan will make up a free-trade zone, leading to the gradual and informal emergence on the world scene of a new player—the U.S.-Japan Community (Amerippon). This idea smacks of joint U.S.-Japanese domination. Henry Kissinger, on the other hand, has always been wary of Japan, which he believes the U.S. should not take for granted. By the year 2000, he claims, Japan will have become a "major military power."

4. Military strategy. Kissinger and others issued a long-term military strategic report earlier this year in which they analyzed the major changes that will occur in the world in the next 20 years. "New military powers, new technology, new sources of conflict, and new opportunities for cooperation" will appear. There will be "sharp dramatic turns in events and gradual changes." There will be "new alliances." They proposed a strategy of "selective deterrence based on state-of-the-art military technology, improved conventional weapons, and a nuclear deterrence combining defense and offense at a lower level." In a report titled "Options for the Next President In National Security Policies," the famous Center for Strategic and International Studies in Washington argues that the United States is currently at a crossroads in national security affairs. The biggest problems facing the next president are immense pressure to

cut defense spending, global pressure for disarmament, and the correct assessment of the nature and extent of Soviet threat to U.S. global interests. A trend reflected in both above-mentioned reports is that the United States needs to reach more disarmament agreements with the Soviet Union in order to achieve a relatively stable strategic relationship with Moscow on the basis of a general reduction in armaments.

In short, these opinions suggests that U.S. foreign policy after Reagan must take shape against radically changing economic and geopolitical circumstances.

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SOVIET UNION

Attuning of Sino-Soviet Relations Examined

40050367 Hong Kong CHING PAO [THE MIRROR] in Chinese No 7, 10 Jul 88 pp 78-79

[Article by Ling Huyan 0109 3698 5888: "Sino-Soviet Honeymoon Old Dream Hard To Recapture"]

[Text] As the situation changes, the three major obstacles to normalization of Sino-Soviet relations must be eliminated. However, in view of the major losses suffered by China with regard to Soviet "superiority", the need to maintain "independence" is felt keenly and thus Sino-Soviet pattern of operation in the future at best will be that of "friendly countries" which maintain peaceful coexistence.

As the Soviet Union began to formally withdraw troops from Afghanistan on 15 May of this year, Viet Nam also announced that between June and the end of this year it will withdraw 50,000 troops from Kampuchea. The twelfth round of talks on normalizing Sino-Soviet relations was held in Moscow. People have been paying considerable attention to future trends in Sino-Soviet relations. Many people began to wonder about the Marxism-Leninism and socialist system that Moscow and Beijing share with each other. They appear to be using a common language in their domestic policies. So will there be a new day and will the old dream of a "Sino-Soviet honeymoon" return again?

I can say with a great degree of certainty that there will not be a new day.

The Difficult Issues Taken on by Gorbachev

Everyone knows that since Mao Zedong and Khrushchev clashed in the late fifties and early sixties and the Chinese and Soviet communists split, the "Moscow-Beijing" tune reached a peak. By the Brezhnev period, the Soviet Union had stationed a million troops on the Sino-Soviet and Sino-Mongolian borders. The "Great Cultural Revolution" started by Mao Zedong was to

bury imperialism, revisionism and reaction and ultimately opened hostilities on both sides in several locations such as Zhenbaodao. Although they did not turn into a major war, Sino-Soviet relations were diametrically opposed. After Mao Zedong kicked the bucket in 1976, Hua Guofeng served in the transition, then Deng Xiaoping took the helm of the Chinese Communist Party. At this time, Sino-Soviet relations began to change. Yet at just this time, Vietnamese troops invaded Kampuchea. Not long after that, Brezhnev also sent troops to invade Afghanistan and in addition there were the large number of Soviet troops on the Sino-Soviet border all of which became what Beijing called "three major obstacles" to improving Sino-Soviet relations. After the death of Brezhnev, Andropov and Chernenko became in succession keepers of the Kremlin but neither of them could handle the Sino-Soviet question and followed in the tracks of Brezhnev. Thus, the thorny issue of Sino-Soviet relations remained for Gorbachev to resolve.

The Message First Relayed at Chernenko's Funeral

Somewhat surprisingly, Gorbachev, who seems so set on domestic reform, in March 1985 at the time of the funeral of Chernenko, in his capacity as Kremlin policymaker relayed a message to Beijing indicating that he wanted "to conscientiously improve relations with China. He recognized that under the circumstances of reciprocity, this was entirely possible." When he met with all the foreign dignitaries, he was exceptionally courteous to Li Peng of the Chinese delegation and expressed his earnest respects. Then in his conversations with Li Peng, he stressed that the Soviet Union hoped that Soviet-Chinese relations could have "major improvements" and that "the dialogue between the Soviet Union and China would continue. He also hoped to raise the level of the dialogue, reduce the differences between the two countries, and strive to make progress in a broader territory." Gorbachev's attitude drew wide attention and Western observers felt that this indicated a "new turn" in Soviet policy towards China.

As a response, Beijing expressed appreciation of Gorbachev's friendly attitude. Li Peng relayed "wholehearted congratulations and best wishes" from Hu Yaobang, General Secretary of the Chinese Communist Party, and publicly praised the Soviet Union's "achievements in building socialism." RENMIN RIBAO even called Gorbachev "comrade." Since the split in Sino-Soviet relations in the sixties, contact between the Chinese and Soviet communist parties had been broken off and only relations between the countries were maintained. Yet when Gorbachev first took office, the General Secretary of the Chinese Communist Party congratulated the General Secretary of the Communist Party of the Soviet Union and this could be called a breakthrough. All these indications were rare phenomena which had not occurred in the past twenty-odd years, thus many observers wondered if there was to be a new "Sino-Soviet honeymoon."

Deng Xiaoping Makes a Positive Response

Facts indicate that the idea of a new "Sino-Soviet honeymoon" was to oversimplify the complex relations between Beijing and Moscow. Yet, either Gorbachev or Deng Xiaoping had the need and desire to improve Sino-Soviet relations (relations between the parties were left until later) and that is a fact. As a response to Gorbachev's "raise the dialogue to a higher level", in 1985, when meeting with President Ceausescu of Romania, Deng Xiaoping said "if the Soviet Union can stop helping Viet Nam invade Kampuchea and eliminate this major obstacle to Sino-Soviet relations, we are willing to go to the Soviet Union and meet with Gorbachev."

After Deng Xiaoping's words to Ceausescu, early in 1986, Gorbachev opened a friendly foreign relations offensive with regard to China. He took advantage of an inspection tour of a Far Eastern naval base to give a long speech in Vladivostok announcing the Soviet Union's new policy towards Asia and the Pacific in which the primary focus was Sino-Soviet relations, assuming an attitude of seeking "reconciliation" towards China. Several days later, Deng Xiaoping commented: "There are positive elements and China must conscientiously study them."

Gorbachev's Vladivostok speech on Sino-Soviet relations primarily stressed: "The Soviet Union is willing to conscientiously discuss with China at any time and at any level the matter of additional measures for establishing neighborly relations." With regard to the "three major obstacles" put forth by Beijing as obstructing normalization of Sino-Soviet relations, he also announced a staged withdrawal of troops from Afghanistan and a search for a "political solution" to the Afghanistan question. With regard to the troops stationed in Outer Mongolia, he was ready to withdraw "a fairly large part of the Soviet troops." After Gorbachev's speech, the Soviet Union's Deputy Foreign Minister, Jiapicai [6328 0012 2088] also gave a speech concerning the matter of Sino-Soviet relations indicating that "the Soviet Union is prepared to discuss with China the matter of mutual troop reductions on both sides along the border region." And with regard to the question related to the demarcation of the Sino-Soviet border by rivers, he indicated that "the Soviet Union's present stance is: navigable rivers are the borderline." This actually was a reversal of the Soviet Union's previous standpoint and agreed with the Chinese position, so it was welcomed by Beijing.

Subsequently, there was definite progress in Sino-Soviet relations but primarily in trade, culture and exchange of persons; politically they could not be completely normalized because the "three great obstacles" had not yet been removed.

Trial Balloons for a Summit Meeting

By early this year, the situation had begun to take a new turn. Gorbachev took advantage of an interview with the editor of the Beijing weekly LIAOWANG to send up a

trial balloon: "a Soviet-Chinese summit meeting may be a logical development. In view of a number of situations, whether this side or that, both feel the objective need for holding such a meeting."

The LIAOWANG report of Gorbachev's call for a Soviet-Chinese summit immediately caught the world's attention and people wondered if there was going to be a breakthrough in Moscow-Beijing relations.

What was food for thought was that Gorbachev's speech published in LIAOWANG was abridged when reported by Xinhuashe and the part deleted was the section in which Gorbachev demanded a summit meeting. Compared with this, the Soviet Union's TASS published the full text and emphasized the section in which Gorbachev proposed a summit meeting. With regard to this, the Beijing Ministry of Foreign Affairs also made a clarification and restated Deng Xiaoping's conditions for holding a Sino-Soviet summit, i.e., the Soviet Union must put pressure on Viet Nam to withdraw its troops from Kampuchea as quickly as possible. This clearly indicated that Beijing was now not willing to hold a Sino-Soviet summit and that Moscow's demands were only wishful thinking.

The Future Structure of Sino-Soviet Relations

Yet, some analysts feel that Gorbachev's proposal to hold a Soviet-Chinese summit is not a random shot but that there is good reason for it. On one hand, the Soviet Union's decision to withdraw troops from Afghanistan is already set, thus eliminating one of the "three big obstacles" raised by Beijing. In addition, the pull-back of Soviet troops on the Sino-Soviet and Sino-Mongolian border is no longer a problem for the Soviet Union. And in fact, Chinese troops will not take the initiative to start hostilities with Soviet troops no matter what, thus the pull-back of Soviet troops can be put into motion at any time. Hence the second of the "three big obstacles" is eliminated. The Viet Nam's withdrawal of troops from Kampuchea has become inevitable; so sooner or later, the "three big obstacles" will be eliminated. However, before there was the prospect that the issue of the "primary obstacle" of Viet Nam withdrawing its troops would be resolved, Gorbachev proposed holding a summit meeting. According to analysis, this was an attempt to use this opportunity to play it's "China card" with the U.S. to increase the Soviet Union's chips in the Strategic Arms Limitation Talks. On the other hand, Gorbachev also hopes that, when the Soviet Union and China discuss the Kampuchea question, Beijing's attitude toward Viet Nam will soften and let Hanoi gain an advantage. However, results of the twelfth round of Sino-Soviet talks indicate that the standpoint of both sides with regard to the Kampuchea question still seems to be "counting chickens before they are hatched" indicating that both sides have not had breakthroughs in political relations. Thus, the conditions are still not ripe for a summit meeting in the near future.

Of course, as the situation changes, the three great obstacles to normalization of Sino-Soviet relations sooner or later will be eliminated and a summit meeting of the two sides also undoubtedly will be held sooner or later. However, in the light of the lessons of history, i.e., after China suffered major losses to Soviet "superiority", and being painfully aware that it must maintain its "independence", it definitely cannot again take orders from others because it has formed alliances with others. The international social reality today also is different from that of the fifties. China has cast off isolation and is maintaining fairly close political relations with the Western world. The "big socialist family" will become a historical relic. Looking ahead at the future pattern of Sino-Soviet relations, even if "complete normalization" is achieved, at best they will only be "friendly countries" maintaining peaceful coexistence.

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EAST EUROPE

Writers' Delegation Views Bulgarian Economic Reforms

40050332 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 13, 1 Jul 88 pp 13-14

[Article by Chen Liao 7115 6697: "Reform, Bulgaria's Main Theme"]

[Text] In March this spring, we visited Bulgaria as a delegation from the China Writers Association. During the short time there, we experienced the many beautiful and fine things the country has to offer, but were most deeply impressed by the main theme in its life: reform. At present, the per capita national income in Bulgaria is \$3,000. The per capita housing space is 16 square meters. One in three households has a small car; there is ample supply of electricity and heat. ... The people live a healthy life and have bright prospects. Bulgarians told us that this was brought about by the reform.

Two Peculiarities and Eight Great Accomplishments

Bulgaria was comparatively early among socialist countries to institute reform. Its reform shows two conspicuous peculiarities: 1) A very thorough theoretical preparation. In 1964, the Bulgarian Politburo published the first document concerning reform, pointing out its intention to reform the highly centralized system of economic planning that had been practiced in the past. In 1968, the Central Committee Plenum made it clear that reform of the political system must be carried out simultaneously with a reform of the economic system, and determined some salient points in the two reforms. Consequently, Bulgaria gradually set up some new economic and political mechanisms. In actual fact, Bulgaria has had 6 years of theoretical preparation until it really started with its reforms in 1970. 2) All action was preceded by experiments, and applications were extended only after the experiments had proved successful. Bulgaria's reform

initially met with great difficulties. Because Bulgaria is a member of CEMA, 87 percent of its foreign trade is conducted within CEMA, and out of this amount 60 percent is trade with the Soviet Union. At that time, the Soviet Union and the other CEMA countries had not yet started to reform. All of Bulgaria's reforms had passed through experimental stages, and applications were extended after the experiments had proven successful.

The Bulgarian comrades we met told us, in the 24 years of reform, from 1964 to 1987, Bulgaria has accomplished eight great things:

A. The highest level of highly centralized economic power was abolished, and relations between all enterprises and the state, and between the enterprises themselves, are to be conducted through negotiations and signing of contracts.

B. All basic-level organizations and basic-level enterprises were made into independent autonomous units. The leadership in basic-level organizations and basic-level enterprises is to come about through democratic elections.

C. The government no longer exercised unified command-type planning, but only guidance-type planning, and regulated and guided enterprise activities only through taxation. The enterprises were to truly manage their own affairs; they could raise their own capital funds and independently operate their businesses. The enterprises themselves are to open up markets and are free to purchase domestic and foreign equipment.

D. Combination of planned economy with market economy. Planning is macroeconomic guidance; the state exercises guidance through the contracts between the enterprises. If need arises for the state to develop certain types of important enterprises, it will support them by loans at low rates of interest and by tax privileges.

E. Launching competition between the various enterprises. All enterprises have been converted to independent entities that manage themselves and bear responsibility for their own profits or losses. Income of staff and workers in enterprises is linked to the level of income achieved by the enterprise they serve.

F. Financial autonomy is introduced for all basic levels, such as enterprises and industrial units, mass organizations, and scientific research organizations. This is the fundamental principle of Bulgaria's economic reform.

G. Establishing a new system of social ownership. In addition to state ownership, there is also trade (collective) ownership and ownership by individual enterprises. The Bulgarian comrades believe all three types are socialist ownership systems (in China the ownership of individual enterprises is called a necessary supplement to socialist ownership).

H. Energetic promotion of agricultural-industrial composite entities, to have the peasants themselves deal in agricultural products and undertake their processing. In the past, at the time of agricultural collectivization, the peasants felt they were cultivating the fields for others and showed little enthusiasm. Now that they operate composite agricultural-industrial entities, the peasants work for themselves and show heightened enthusiasm. The Bulgarian comrades believe that this is now a truly enlightened system, which reflects Lenin's ideas on cooperative systems.

Overall Concept and Specific Tasks

The Bulgarian comrades said in 1987 Bulgaria took a decisive step in its reform. The reform was fully under way at a distinctly accelerated pace, and the point of emphasis of the reform shifted toward the political system. The general objective of the reform was defined as realization of social self-government; a theory of separation of ownership of social property from use right was put forward, etc.

Presently, the overall concept in Bulgaria's reform is: To achieve self-government throughout the entire society through political and economic reform, establish new patterns of production organizations and new managerial patterns; change those structures of the political organizational system that do not meet actual needs, organizationally uproot bureaucratism, gradually transfer economic and social power to the people, making them truly into masters of the political power. They are to be the owners of the socialist property and also the operators of business activities using that property, and to directly participate in the social management of production.

To realize the overall concept of the reform, Bulgaria set forth three tasks of the "new Long March" reform:

A. Reform of the Political System. This issue is of greatest concern to the Bulgarian masses. First, there has to be separation of party and government, to strengthen and improve the guidance of the party. In January this year, the general secretary of the Bulgarian Communist Party and chairman of the State Council Zhivkov stated at the National Party Congress: The highest leadership position in party and government will henceforth not be held by one person. Persons in leadership positions at all

levels, from central authorities down to local authorities, may not serve more than two terms, and in special cases also no more than three terms. The party shall only have the political power of guidance and control, and must under no circumstances become a "level" or "step" in the ranks of state power. All administrative or bureaucratic systems of centralization used in the past, by which the central authorities ordered people about, are definitely to be abolished. The main points of power are to be transferred from the top of the social pyramid down to the lower levels. At the same time the government structure is to be reorganized, administrative personnel are to be reduced, local construction is to be subjected to reform, and the 27 counties are to be combined into 8 administrative districts.

B. Reform of Agriculture. Widely institute a "supra-collective economizing development pattern" in all the agricultural production units throughout the country. Its core is the setting up of work teams. These work teams are commodity producers and business operators using socialist property. They take on responsibility for managing means of production and by means of economic contracts are to satisfy the state's needs of agricultural products. Prices, taxation, wages, loans, and other such economic levers are to be used as important measures to encourage the work teams to exploit potential. The work teams may freely organize joint operational entities. The work teams and their joint companies, federations, joint operational entities, and joint venture enterprises are all practicing own management of funds and responsibility for own profits and losses.

C. Reform of Enterprises and Industrial Units. Structural reforms were first instituted in energy resource enterprises, to have newly constructed production capabilities and transportation equipment promptly put into production. Next was the reform of the wages system. A new basic wage system was instituted for autonomous economic organizations. A 3-grade system was drawn up for staff and workers, specialists and leading cadres, according to the level of their duties. Third was a reform of the banking system; a commercial bank was established to be in charge of investments and loans to autonomous economic organizations. Fourth was a reform of the labor unions. Fifth was a reform of commerce and of the service industry.

Possibility of Peaceful Transition to Socialism Raised

40050328a Shanghai SHIJIE JINGJI DAobao
[WORLD ECONOMIC HERALD] in Chinese
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[Article by Wang Shiqin [3769 1597 0530]: "Renewing Our Knowledge of Capitalism and Socialism"]

[Text] Today, the view that capitalism could possibly peacefully develop into socialism is no more held to be absurd and strange in socialist circles. If we acknowledge the possibility of a "peaceful transition," socialist things will hardly take shape overnight in developed capitalism, but there will rather be a period of gradual gestation and growth. If we examine without prejudice the present countries of developed capitalism, we can indeed discover some socialist sprouts and elements. For instance, the countries of developed capitalism have already created an information productive force of considerable proportions as perfect material base for socialism. And again, the development of the system of share holdings, which results in a separation of ownership rights from management rights, weakens, and even abolishes the shareholder's power of control over production. In effect it has social enterprises replace privately owned enterprises, thus laying the foundation for the social ownership system of socialism. Also, the countries of developed capitalism intervene in economics in a way that has become an irreversible trend, so that plan mechanism and market mechanism are merging more and more and producing a "blended economy." Furthermore, there is also a fading away of the three big differences, namely between physical and brain work, workers and peasants, and between city and countryside. What is really food for thought is that the things which the countries of real socialism have so earnestly pursued and never achieved, are now surfacing in the countries of "decadent" developed capitalism. This is truly as in the saying: "No flowers bloom on plants purposely planted for their flowers, but the willow branch, unwittingly stuck into the soil, grows up into a shade tree." The above facts put an end to the traditional view, which had been so deeply implanted into our minds, that a socialist embryo cannot possibly develop in a capitalist womb.

The socialism that Marx had envisaged was produced on the foundation of highly developed capitalism; it was a society that would combine developed productive forces and advanced production relations in an organic union. However, the countries of real socialism were born during the latter days of feudal society, when frequent conflicts and contradictions occurred between backward productive forces and "advanced" production relations. Looking at the social relations, we see that there is more similarity between real socialism and feudalism than between capitalism, on the one hand, and feudalism and real socialism, on the other hand. The capitalist relations can therefore mercilessly rip off the veil of tender feelings from feudal relations, while the mutual aid and fraternal love between socialist comrades is frequently

used by feudal relations merely as the fig leaf and protective shield. We can, therefore, say that as far as the socialist countries, i.e. countries which were built on the soil of the late feudal society, are concerned, the real danger for them threatening from the side of capitalism cannot be compared with the dangers threatening them from the side of feudalism. History clearly shows that traditional socialism cannot achieve the surrender of feudalism, only turning into a commodity economy, socialization, and modernization are the stars of victory over feudalism.

The structure of China's productive forces is presently a dual structure of low-level, high-contrast handicraft productive forces and machine productive forces, both equally important and coexisting side by side. The structure of China's production relations at the present stage is in the process of shifting from the old system of a natural one-product economy to a new system of planned commodity economy. If we measure China's present developmental stage with the yardsticks of productive forces and production relations, it can probably only be called a "quasi-socialist stage." It is now the fashion to call it the "initial stage of socialism." This stage is far removed from the true socialism that Marx had envisioned, built on a highly developed commodity economy and socialization. The world has sounded three alarms for China to hear. One was placing China's social development at 48th place from the bottom in a listing of 124 countries and territories. The second was that China was hovering at 20th place from the bottom in the world with regard to per capita gross output value. And another was that if the working style of the party cannot be effectively rectified, if activities of exploiting positions of power for private gain get out of control, there is the possibility that China will slide into a situation for which the Western scholar Maynard and others have coined the—unfortunately very much to the point—term of a society of "bureaucratic collectivism." The original intention of the communist party in establishing a socialist country is, first of all, to achieve "impartial justice," but once sunk into the stage of a society of bureaucratic collectivism, there will be neither "impartial justice" nor "efficiency."

For a long time, many "Marxists" have believed that capitalism and socialism are diametrically opposed to each other and completely incompatible. Looking at the practical experiences we see that in order to demonstrate our firm stand of not being able to live under the same sky with capitalism, we mistakenly took the "great transitional period" from a New Democracy society to a socialist society to be a "small transitional period" of mutual contest between declining capitalism and growing communism. Cruel reality has finally smashed our "fond dream of an utopian communism."

Looking at the theoretical aspects we see that in order to demonstrate the differences between capitalism and socialism, as well as the superiority of socialism, theorists have employed, in a "method of contrasts," a

system using portions of the socialism of a fabricated political economy. Hence, the basic economic rule of capitalism is pursuing surplus value, the basic economic rule of socialism is satisfying the needs of the people. The former advocates competition without government interference, the latter advocates proportionate development in a planned way, and so on, with many further arguments. The socialist theorists firmly believe that economic crises, inflations, commercial decay, and environmental pollution are all chronic maladies of capitalism. However, people now discover that real socialism with all its superiority can also not escape these difficulties. It is only that what occurs in capitalism are crises of insufficient demand and overproduction, while what occurs in real socialism are crises of too brisk a demand and insufficient production. It is like saying the former is worrying about getting too fat and the latter worrying about getting too slim. If we apply the "productive forces criterion" on a worldwide scale, it can be said that the socialist countries would not come out as deserving superior status in the economic arena of the world.

In criticizing the shortcomings of the traditional model of socialism, we do not mean that we should copy indiscriminately the modern capitalist model. The Japanese Yoshida Mamoru once pointed out: After World War II, the U.S. Army of occupation forcibly imposed the "American model" on defeated Japan, but once the U.S. Army left, all imported elements that did not fit the Japanese national conditions did not take root in the country.

If we take as reference the socialism that Marx envisioned, established on the foundation of late capitalism and with an organic fusion of developed productive forces and advanced production relations, then today's countries that pass through the phase of developed capitalism and the countries of real socialism are all on the same course toward that kind of society. There is, therefore, no necessity for a long period of time to come, for modern capitalism and real socialism to stay in a relationship of finding it impossible to live together under one sky, or of fighting a life-and-death struggle, both must rather live in a relationship of peaceful coexistence, learning from each other, and peacefully competing with each other.

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Study of Social Development of Countryside in Southern Xinjiang

40050327 Urumqi XINJIANG SHEHUI KEXUE
[SOCIAL SCIENCES IN XINJIANG] in Chinese
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[Article by He Bingji 0149 3521 3444, Member of the Autonomous Region Local Gazetteer Committee, Urumqi, Xinjiang: "Study of Rural Economic and Social Development in Southern Xinjiang"]

[Text] From 20 June to 18 July 1987, we got together eight comrades from the Institutes of Nationalities, Religion, and Philosophy and Law and a class of third-year students (combining study and fieldwork) from the

Uyghur Language section of the Chinese Language Department of Xinjiang University, and with the cooperation of the regions and departments involved, conducted nearly two months [sic] of study of Arele Xiang of Shache Xian and the Xiaheleke Administrative Region of Zhawa Xiang in Moyu Xian. The object of the study was the Uyghur peasants, cadres, religious professionals and teachers of the area. Through this survey we came to understand well the research direction of beginning with one point emphasized by Professor Fei Xiaotong in going into rural areas in border nationalities research was very correct. At the same time we knew that even if social science workers were not comrades specializing in researching economic issues, they can also make a positive contribution in research on improving financial well-being in Southern Xinjiang.

I

Why are the overwhelming majority of poor regions in Xinjiang concentrated in Southern Xinjiang? Natural scientists and economists can present a great deal of data on this issue and discuss it in detail. The common people cannot offer many reasons; but in a word, it is that the natural conditions are poor; there is a scarcity of water and an excess of desert.

In fact, that is not the entire picture. The Xinjiang economy is of the oasis type and this feature is especially evident in Southern Xinjiang. For just this reason, its development is very unbalanced and the natural conditions are very clearly and directly related to the distance from a water source. Arele and Xiaheleke which we went to this time are both on the banks of a major river. In Uyghur, Arele means peninsula: it is surrounded on three sides by the Yarkant He. In these two places we saw water channels running with water in all directions day and night supplemented with a variety of reservoirs for use in drought periods. They use this water for paddy rice and fish culture and it is generally said that wheat can be irrigated. Only in March, April and May of every year is there a shortage of water. In other seasons the water is inexhaustible. From this perspective, the natural conditions of Arele and Xiaheleke are good and in many places it is even better than in South China. After over thirty-years of Post-Liberation development these two places now have roads, canals are lined with trees, farmland and trees alternate and waste land has been afforested. Trees are everywhere. According to statistics, by the end of 1986, Arele had 9,524,373 trees, which is an average of 779 trees per person; Xiaheleke had 533,980 trees, which is an average of 123 trees per person. The trees are not only a source of wealth, they also protect the desert and the peasants, improve the environment and provide excellent conditions for promoting economic development.

Beginning in the late fifties and early sixties, Arele and Xiaheleke carried out "Five Goods" new rural construction and the results are already evident. On the large scale the plans for where to build residential areas,

reservoirs, and crop areas are completed and the land has been reclaimed and leveled. Twenty-four of the 32 fields planned for the Xiaheleke Administrative Region have been completed. Before the introduction of the land contract system, plowing, seeding, field management and harvesting on land in Arele and Xiaheleke could be basically carried out by machine.

With economic development and scientific and technological progress, regional planning and basic farm field construction, many advanced agricultural machines and technologies have been introduced into the rural areas of Southern Xinjiang. At the time of our survey, during summer harvest we did not see any bashijiao [0360 0577 5183] (a type of muchun [2606 2797 wooden club? the chun character is not clear] used in threshing) and primitive use of animals treading to thresh grain. Although bags are still used to carry dirt and grain, the dirt bags are no longer carried by humans but are transported by donkey cart. Electricity or diesel engine power is now generally used in processing agricultural products, especially in milling flour and rice, pressing oil and milling lumber. The old handicrafts of spinning, weaving, and weaving bags are already well-known to the young people.

In agricultural technology, the peasants would very much like to use new varieties and new technology. Zhawa Xiang (formerly called Mengjin Commune), in which Xiaheleke is located, had a grain deficiency of 1.58 million jin in 1977 and had to rely on "wumashi" [3527 7802 0087] (a corn-flower paste) made of grain shipped from Pishan to survive. In 1978 the entire commune planted a new variety of corn brought in from Cele and in that year increased production 2 million jin, eliminating the grain-deficient label at one stroke. The peasants have recognized from example the relationship of new varieties, new technology and increased production. All the wheat, corn and cotton in Arele and Xiaheleke are new varieties being promoted by the region and the xian and all the cotton fields in Arele use dimo [0966 5229 plastic mulch?].

Because advanced tools and farming techniques are used, the unit output by area and gross output have constantly increased. Arele's average wheat output per mu before liberation was less than 100 jin; in 1978 it increased to 176 jin; in 1986 it further increased to 549 jin. In the eight years from 1978 to 1986 grain [output?] per capita has increased from 919 jin to 2,409 jin. Although Xiaheleke's grain per capita in 1986 was only 598.22 jin, that was double the per capita number during the time of "eating from one big pot." Average output of cotton per mu increased from 40 or 50 jin in 1978 to 110-120 jin, more than double. For many households the output per mu of wheat and corn or wheat and multiple crop paddy rice has exceeded 1,000 jin, with the highest reaching 1,500 jin.

However, the housing conditions of the peasants are generally poor. Probably less than 20-30 percent are slightly better off. Although floor space is not small, a

four-five person family may have two or three rooms with about 40 or 50 square meters, generally out-dated, simple, crude and unhealthy. Very few peasant households have built new houses. Housing conditions can best reflect the current income level of the peasants. Currently, housing conditions are a direct reflection of the poor-type economic development level of some rural areas in Southern Xinjiang. In addition, in terms of diet, peasants can be fed and only at the basic level but they have changed from eating mainly coarse grains in the past to eating primarily milled grains. There is still a big gap with what would be considered eating well. According to our sample survey in Xiaheleke, each peasant there consumes on average per month 6.5 liang of meat, 4.9 liang of oil, 0.89 eggs. Many peasants cannot eat vegetables or very few eat vegetables, and some peasants also must go to Bazha to buy vegetables. In the fifties and sixties, Zhawa Commune also had a milk powder processing plant but now only 41.18 percent of the peasant households raise cows and most are for draft use. The price of milk and eggs in Shache and Moyu is higher than Urumqi. About 30-40 percent of the total number of households in Arele and Xiaheleke have difficulty making ends meet.

II

In the last 30 years, although rural development in Southern Xinjiang has been affected by various political movements, it has still constantly advanced and the results are also fairly clear. The construction of the past 30 years has prepared the material base for further development in the rural areas of Southern Xinjiang today. After the Third Plenary Session of the 11th Party Congress, in the short period of four or five years between the reform of the rural economic system about 1982 and today, problems of food and housing for the peasants of Southern Xinjiang were quickly resolved.

Eighty-two percent of the Uygur population lives in Southern Xinjiang with the overwhelming majority also living all their lives in the countryside. In our survey, we noted that in carrying out agricultural modernization, the Uygurs of Southern Xinjiang had a certain development base and also noted that their starting point was at a low level.

First of all, agricultural production is single-crop, benefits are low and in addition family resources are very meager and they lack the ability for expanded reproduction. The Arele Xiang of Shache Xian was rewarded by the State Council as a model of improving financial well-being in the Keshi Region. Newspaper materials indicate that in 1986 the per capital income was 500 yuan. In such an advanced xiang the production of rural and town enterprises in which the entire xiang now participates includes 16 agricultural industries managing orchards and seed multiplication farms with a total of only 82 people which is 1.4 percent of the entire xiang's total labor force of 5,855; individual household economies xiang-wide are mostly engaged in flour-milling and

oil-pressing with a total of 41 households making up 1.2 percent of the entire xiang's total number of 3,227 households. The second site in our survey—Xiaheleke Administrative Region in Zhawa Xiang, Moyu Xian—is not yet up to the level of Arele. The peasants here basically still follow traditional methods and manage their own land under the contract system. The overwhelming majority of peasants lack any technology and could not survive apart from the land. In view of the present situation, for a long time to come it cannot be as developed as the rural areas in the interior and there will be a tendency for land to be concentrated in the hands of farming experts.

The land for which peasants contract is used primarily for raising grain to resolve the problem of food. In the past few years the production mix has been readjusted but the area planted in economic crops (primarily cotton) is still not large, amounting to 15.58 percent in Arele while in Xiaheleke where the cultivable land per capita is less, only 13.49 percent of the area is planted in cotton.

According to the secretary of the party committee who was born and bred in Arele Xiang, based on today's production levels and figuring in terms of normal state prices, the investment (not counting labor) in planting a mu of wheat is 82.5 yuan, paddy rice 64 yuan, and cotton 98.3 yuan. If each person planted on average 2 mu of wheat and replanted one mu in paddy rice and one mu in cotton, it would take an investment of 327.3 yuan. This does not take into account agricultural taxes and the portions retained by the collective. Calculated for a family of four, the investment required annually to farm contracted land is 1,309.2 yuan. But apart from food, clothing and rudimentary social needs, it would be very difficult to raise this investment amount from the annual income of an ordinary peasant household. If they cannot buy average-priced chemical fertilizer they will have to spend more than double. Thus, under present conditions, for the overwhelming majority of peasants, they are unable to buy agricultural machinery and equipment, buy more chemical fertilizer and annually upgrade their crop varieties (most use their own seed which has degenerated over the years) to expand reproduction.

Second, the level of animal husbandry, sideline production, and production of aquatic products is very low. In our survey sites, except for cotton and some grains, the peasants had almost no other products for sale. The peasants enjoy going to Bazha. In the past one person rode a donkey to Bazha but now a family rides in a donkey cart. In the morning it goes to Bazha and in the afternoon it returns home, and frequently the round trip is made empty. Since they are not self-sufficient, there is not much left over to sell so they have no money and naturally cannot buy the needed goods. This phenomenon objectively reflects the low level of production of many rural commodities in Southern Xinjiang.

Third, the peasants' ability to plan comprehensively, manage independently and strive for development is generally poor. Before Liberation, the manor system of

the early stage of feudal society still existed in Xiaheleke: the laborers were all serfs of the manor and what they did today and what they did tomorrow was controlled by the manager—the agent of the feudal nobility. After land reform, the serfs who had been landless in the past had their own land. They still had not become familiar with the methods of independently managing their land and then they handed over to the collective the production tools, draft animals and the small plots of land they had been allocated to them. Although the nature of the managers and the managed was no different than before Liberation, politically they were equal, but there were great differences in their degree of anxiety. Subsequently, rural economic policy became more and more "left" and they were not permitted to be concerned with anything other than the collective. "Eating together" there was not enough to go around, and the peasants became more and more disappointed thus for many years now the situation has developed that "the Communist Party puts out the money, the common people plant the fields", relying on buying back to eat and relying on subsidies for spending money so the peasants were not concerned about production.

Now, land is contracted to the household and the peasants must go through a process of going from relying on others for a long time to relying on themselves, from following the orders of others to independent management. From the implementation of land being contracted to the household to the present this process has been underway only about five years and it should be noted that this shift has not yet been completed. On the basis of our survey, only about eight percent of all households have been able to adapt to this change in household economy rapidly. Fifteen to twenty percent of the households, including the ruozhi [1726 2535 uneducated? mentally retarded?], needless to say have not developed at all and if they did not have the support of others it would be difficult to maintain simple reproduction still using traditional methods.

III

In studying the rural development of Southern Xinjiang one must first get the situation in focus. Only plans for escaping poverty and plans for rural development formulated on the foundation of a comprehensive and systematic understanding of rural society can be those which seek truth from facts. After 1982 each xian carried out a division of the xian into agricultural districts. Five years passed but most norms were only "being honored" year by year in statistical tables and in the case of some the actual situation and the divisions were at odds. Furthermore, these divisions tended to stress such economic issues as agriculture, forestry, animal husbandry, sideline production and aquatic products but did not sufficiently concern issues of social development, especially some social issues which seriously affected rural development which the divisions basically did not touch on.

Overcoming bureaucratism, strengthening the establishment of xiang level party and government political authority are the keys to Southern Xinjiang improving financial well-being and pursuing development. At the upper levels there are many lines, but at the lower levels there is one focus. Only if the xiang level party and government forces are strong can requests be passed on above and relayed below, requests sent down and reported upwards so that upper echelon agencies avoid some bureaucratism. In our survey we discovered that many xiang cadres were working very hard, they could work in line with demands of upper echelons, and there was a certain mass foundation. But they generally lacked an enterprising spirit and so it was difficult to be equal to the task of guiding the peasants to escape poverty and realize agricultural modernization.

First, their educational level is somewhat low, they lack the modernized ideological and spiritual preparation and still follow the same old leadership methods of the past. In reform of the rural economic system the "big pot" was eliminated but leadership methods have not changed much. They put a fairly large amount of energy into speeding up plowing, sowing, tending, harvesting, and delivery four seasons of the year. No matter what aspect of the work one is in charge of, at the appointed time everyone is organized into a work group. Then there is the same old investigating, appraisal, awarding of red flags and assigning fines. It is said that this method began in the fifties and after using it for several decades it was easy to handle and it was generally accepted at all levels. But not enough attention was paid to dealing with the new situations and problems that emerged after the reform of the rural economic system, such as the problem of how to classify assistance and support for rural households of different degrees of prosperity, the problem of how to get pre-production and post-production service underway and how to stress and resolve tendentious social issues in order to promote agricultural development, etc. Yet study and resolution of such problems is the key to rural reform and relaxation.

Second, they are only familiar with major agriculture, do not have the educational background for diversified management and lack the entrepreneurial leadership directed at reform. The rural areas of Southern Xinjiang have been poor for a long time and rural and township enterprises have never begun to develop. After the land contract system was given to the peasants and collective property was divided among the masses in monetary terms, the remaining collective wealth was very little and the managerial results were very poor. The person in charge of production in Arele Xiang told us that in 1987 they released 360,000 fry into two fish ponds of a total water surface area of 30 mu and the Xiang government invested 13,000 yuan in the purchase of fry. In addition, they provided the contracting households with 25 mu of alfalfa land for fish food and also release the contracting households from all compulsory labor. They demanded of the contracting households that after only five years they had to hand over 20,000 yuan. For the xiang

collective, after five years' time the increase from 13,000 yuan to 20,000 yuan would appear to be earnings of 7,000 yuan, but there were other investments and the 25 mu of alfalfa field so in fact they didn't earn a penny. If the contracting households learned how to raise fish, then in five years they could earn at least 15 to 20 yuan per ton. We asked the secretary in charge of production why they issued such a contract. What were the benefits to promoting xiang and township enterprise by managing a collective enterprise this way? He replied candidly: "We had not figured things carefully nor did we even think of such problems." This phenomenon is not unique. In 1978, Zhawa Xiang, which is in Xiaheleke in Moyu Xian, planted a 400 mu orchard. There are now only eight mu which have been contracted to a capable manager and the fruit is hanging on the trees; but a large area of peach, pear and apple trees is now a wasteland. People see this sort of situation and all say with a sigh: "This is really begging with a golden ricebowl!" There is a lot of water surface in Moyu Xian and the cadres and workers of Dongfeng Fish Farm say that since they don't know how to manage it there is no way they can fully utilize these favorable conditions so people still have a hard time finding fish to eat. We interviewed a retired purchasing agent from the Zhawa Xiang supply and marketing cooperative. He has only 2 mu of water surface but in 1986 he earned 4,000 yuan selling fish and in 1987 planned income was 6,000 yuan. On this basis, the 20,000 mu of water surface in Moyu Xian and the more than 58,000 mu of water surface in Shache Xian should have created considerable production value and provided a considerable amount of meat for the people of the xian (according to plans, the current norm of an annual output of 20 jin of fish per mu has not been achieved.)

Third, they lacked noble sentiments for service to the majority of peasants. They spent a great deal of energy in building houses and making their own families well off. In the rural areas we surveyed, the peasants generally indicated that now, three types of people become well-to-do first: one type is the cadres. One type is the craftsmen, they farm and also rely on their crafts: carpenters, blacksmiths, cobblers, da [unreadable character] [2092] and opening restaurants in search of another source of income. The third type are the persons to be involved in business and commercial activity. The peasants who rely entirely on farming and breeding to become well-off early are extremely few. The masses do not talk much about the latter two types of people who become well-off early. They expressed considerable dissatisfaction with the cadres, especially state cadres who draw salaries, who were concerned only about becoming well-off themselves and were not concerned about others.

Just like an enterprise, if it does not have a good plant director or manager, it will not be run well; a xiang, if it does not have a good leader who understands people and is willing to motivate everyone to become well-off together, it will not progress. For the important function

of a xiang-level leader in Southern Xinjiang of improving financial well-being and rural development, he must have well-grounded knowledge and adopt forceful measures and methods to conscientiously carry them out.

IV

From an overall perspective, the readjustment of the rural industrial mix of Southern Xinjiang is primarily in contracting the area planted in food and increasing cotton and fruit production. But it should integrate the actual situation in the countryside and villages and suit measures to local circumstances. In Arele Xiang, food production has exceeded one ton per capita: 53,000 mu are under cultivation, which is over 4 mu per capita. In addition to maintaining farmland in a certain volume of food and economic crops, it is possible to clear some land for planting for forage and fodder and for developing livestock raising. Scanning the history of development of production in Arele in the eight years between 1978 and 1986, grains increased 2.5-fold, cotton 2.4-fold, only the number of livestock increased just 1.4-fold, the slowest rate of development. In terms of the Southern Xinjiang market, meat is in extremely short supply. In July, 1987 the maximum official price for lamb was 5 yuan per jin, but it was actually being sold for 7 yuan. Whether viewed from the perspective of managerial results and development prospects or from considerations of market demand, places which have the conditions, such as Arele, should vigorously develop the livestock industry and convert excess grains into meat and milk products.

While readjusting the industrial mix by suiting measures to local conditions, diversification should also be expanded. In the rural areas of Southern Xinjiang where the level of development is very low, diversification can only start with small places, but we should not look down on small change. If you earn small change, big change can be accumulated for development. At present we should thoroughly change this negative, passive situation which relies on the state, looks down on small earnings, and cannot make major earnings and rapidly get involved in diversification.

Raising chickens is the simplest and easiest: it takes little investment, the cycle is short and results are fast. Spring chicks lay eggs in the fall and can provide meat. Fall chickens can be earnings the next spring. Every rural family in Southern Xinjiang has an orchard and several dozen trees can be grown in a corner of the garden. Fodder for chickens is also easy to take care of: every family has bran, rice chaff and baoguli [5383 6253 4721]. A hen lays 150 eggs per year and that's 30 yuan, for 10 hens it is 300 yuan, and if each family can raise 30 hens, not only will it take care of the problem of meat and eggs for them, but it can also earn over 1,000 yuan. Subtracting costs, they can net 300-500 yuan. If every family raised chickens, the food markets in Southern Xinjiang also would change very quickly. Vigorously increasing the number of chickens, ducks, fish, rabbits, and geese

while raising cattle and sheep will be one way of providing meat which is important and will get quick results. Many peasants in Southern Xinjiang like to raise geese and also like to eat goose. Geese eat wild forage and they do not get sick so they can also be promoted.

However, at the two sites of our survey, most peasants do not raise chickens. Households without chickens in Xiaheleke make up 69.61 percent of the total number of households. Comparing raising cattle and sheep to raising chickens, the problem is much more complex. Households without sheep in Xiaheleke make up 32.35 percent of the total number of households and households without cattle make up 58.82 percent. Since raising chickens is the easiest why has it not developed as well? According to xian and xiang cadres, raising chickens by peasants has been suggested, but due to outbreaks of chicken pests, the initiative of the peasants to raise chickens was thwarted and it was not suggested again. Many peasants also say that chickens are very hard to raise because they often become sick. This issue should be brought to the attention of the appropriate departments.

The natural conditions of the two sites of our survey are very good and except for the winter, there are always flowers in bloom which is a very good source of honey. In the past bees were also raised but no one raises bees now. The leadership of Shache Xian said that the market for honey is very small, so even if people have honey they cannot sell it so no one raises bees. Perhaps it is this: people can't even eat meat, eggs and milk, so why waste money on honey? As people's standard of living improves, there may be a market for honey. Furthermore, what is not sold there can also be shipped outside. Rabbits reproduce rapidly and raising rabbits also is a way to increase the source of meat and the rabbit fur can also be sold. Ducks are easy to raise and where there are ponds they can be bred in large numbers.

Our region has had success in using cotton gan [2616] as a culture medium for raising yiner [6892 5101, trimella]. A great quantity of cotton is planted in Southern Xinjiang and if this technology can be introduced the benefits of raising cotton can be greatly improved.

Fish culture is already generally regarded highly in Southern Xinjiang. Some peasants in Arele and Xiaheleke are eager to try it and some have come to know its benefits. If leaders at all levels can make the best use of the situation and provide specific help in management and technology this good situation can be consolidated and develop further.

In addition, there are a great many reeds in Southern Xinjiang which can be used with corn husks to develop weaving. Southern Xinjiang's industries of raising silkworms, fabric dyeing, and carpets could be greatly promoted on the foundation of the daily increasing abundance of raw materials from animal husbandry and sideline production.

In summary, the autonomous region's "three dragons" of cotton, animal husbandry, and melons and fruits should be stressed and diversified management developed as suited to local conditions. The latter is even more important than the former and has much greater and more important potential. Improving financial well-being in Southern Xinjiang and the development of all of Xinjiang depends on the development of the agriculture and animal husbandry economy of Northern and Southern Xinjiang and without this, the development of Xinjiang will lose its base.

V

We propose that political power building of the xiang level party and government be strengthened. The goal is to get the approval of the xiang and conscientiously help and guide those who directly undertake agricultural and animal husbandry production—the peasant and herder families. Before "eating from a big pot", the peasant and herder families only managed the small amount of land that they retained and the orchards that were on their residential land and were incomplete production units. After land contracting, each family became an independent land manager or producer of other industries. The family is not only a consuming unit, but primarily a producing unit. The family is a social cell. At present the farming production situation of the xiang, the xian and even the entire region is determined by the managerial level of thousands of peasant and herder families distributed in Southern and Northern Xinjiang. Only if the production of the overwhelming majority of production units—the family—is stressed can the planning and strategic ideas of all development of agriculture in the autonomous region be solidly grounded.

Through our analysis of two rural sites in Southern Xinjiang, we discovered that there are many elements unfavorable for development of production by the peasant family as a production unit. The family problems reflected by Arele and Xiaheleke are primarily as follows:

1. The population development type of high birth and high death rates both puts great pressure on undeveloped agricultural economy and also has a severe impact on improving peasant standard of living, the health of mother and child and childhood education.

According to our sample survey of Xiaheleke, women now over 50 had given birth to an average of 6.74 children, 3.90 of whom survived, thus the survival rate is 57.89 percent. Four years ago, we surveyed two rural sites in Yingjisha Xian and Shule Xian. Women now over 50 had given birth to an average of 6.44 children, of whom 3.36 survived, a survival rate of 52.22 percent. The two are unusually close. This fact indicates that high birth and death rate is not unique and random for individual rural areas, but is universal.

In the early post-liberation period, the land area of Xiaheleke was 17,056 mu. In the past 30 and more years, since seven units above the xian level continuously occupied some of the land, there is now only 11,027 mu. But the population has increased from 2,284 to 4,347, a nearly double increase. At the time of land contracting, apart from private plots, land for residences, and land for other uses, the land per capita of the four villages under the jurisdiction of the Xiaheleke administrative region were: Kuoka Village, 1.8 mu; Yaweixi Village, 1.4 mu; Xiaheleke Village 0.7 mu; Yigesailike Village, 1.6 mu. This is a region where the large population and small amount of land is outstanding. In Arele, the land per capita is over 4 mu and the pressure of large population and small amount of land has not yet appeared there. If population growth is not planned, one day this problem is bound to appear. Whatever the type of region, the low rate of material production and the high rate of population growth is bound to exact a heavy price in being unable to improve financial well-being and the peasants' standard of living rapidly.

The peasant family of Southern Xinjiang is primarily a nuclear family made up of a husband and wife and their minor children, family size averages about 4 (in Arele Xiang it is 3.95, in Zhawa Xiang it is 4.13). In the family there are generally two primary able-bodied persons: a man and a woman. Today, when the level of agricultural mechanization is very low, labor plays a decisive role in the growth of production. If young women bear too many children too close together it affects the family's labor participating in material production. The health of some women has been seriously affected because they bore too many children so that not only can they not normally participate in productive labor, but also cause a great drain on family life.

The lessons of the entire nation on the population issue are profound: in the autonomous regions the time has arrived for unified understanding, passing legislation, and conscientiously carrying it out. Only when a major problem is stressed can results be achieved.

2. An excessively high divorce rate makes family relations unstable leading to damage to the family economic development.

In 1983 when we surveyed Keshiliang Cun the average number of marriages of men and women over 50 was 2.18. In Arele Xiang and the Xiaheleke Administrative District surveyed this time, the divorce situation was basically the same as the results of the Keshiliang Village survey several years ago. In Xiaheleke, we surveyed 205 married men and women. Fifty of them had never been divorced, or 24.39 percent of the total survey number. Those who had been divorced numbered 155 and they had been divorced 292 times, for an average of 1.88 divorces per person. The maximum was eight for men and five for women. With the addition of those who had remarried after the death of a spouse, the average number of marriages per person is about 3.5. Needless to say,

this repeated marriage, divorce, remarriage is wasteful, but also if the family is always in an inharmonious, unstable state, both parties definitely cannot concentrate of building a family fortune. Once they go in for a divorce, not only are they unable to accumulate property to expand the family economy, but also it can produce leakage of property due to the centrifugal tendency.

3. The imbalance of the family structure and the large number of incomplete families and elderly families is another obstacle to Southern Xinjiang improving financial well-being and rural development.

There is a total of 3,227 households in Arele Xiang, of which 341 are single person households, making up 10.57 percent of the total number of households in the xiang. Of these single person households, those over 50 years old make up 67.16 percent of the total number.

In a further survey of Arele we also discovered that there are 437 households which, although they are not single person households, are single parent households, making up 13.54 percent of the total number of households. These families often have only one strong laborer; the other members of the family are either old or young, not only relying on one person economically, but also relying on this laborer for their daily care. Even if it is a man, he can only take care of the former, not the latter; if it is a woman, then it is bound to become a poor household. Furthermore, old and young households make up over half of this type of incomplete household.

Single person households are also incomplete households and in Arele Xiang the total of these two types makes up 24.11 percent of the total number of households and this is a serious obstacle to development of family economies. We decided to investigate this issue further in Xiaheleke to see if it was universal in the rural areas of Southern Xinjiang. According to the statistics of a random sample of 102 households in Xiaheleke, there were 7 single person households or 6.87 percent of the total sample (single person households in the entire administrative region made up 8.9 percent, close to the figure for Arele), other incomplete households were 16, or 15.69 percent. The total of these two was 23 households, or 22.55 percent. We also discovered that there were 10 households in which the primary member was a male over 60 or a female over 55, accounting for 9.8 percent. The total of incomplete households (including single person households) and elderly households made up about 33 percent of the total survey number.

Actually, due to structural dislocation, one-third of the households are almost powerless to maintain simple household reproduction. It is impossible to demand that they develop further. This is definitely not a minor problem which can be overlooked but is a major problem in which the overall situation is viewed from minor aspects.

VI

What is the top priority in enriching and developing the rural areas of Southern Xinjiang? Is it policy? There are already central government policies. In May, 1986, the autonomous region convened the Southern Xinjiang Sandizhou Improving Financial Well-being Work Seminar, and formulated 11 preferential policies. However, improving financial well-being and economic development of Southern Xinjiang's Sandizhou will still depend primarily on self-reliance and on further reform of the cadre system. In the survey process, we contacted many old comrades who had been involved for a long time in grassroots level work in the rural areas and towns of Southern Xinjiang. They all felt that the top priority in improving financial well-being in the rural areas of Southern Xinjiang was none other than a cadre problem. Only if the cadres go down, can the rural economic go up.

When one mentions expanding production, people often think of the role of various types of specialized science and technology personnel. Our propaganda is also constantly calling on these comrades to move downward and take science and technology into the rural and town enterprises and into the midst of the peasants and herders. This idea and this call are certainly correct, but real life tells people that science and technology personnel are moving in the opposite direction, i.e., moving from the bottom up. In the two xiang in our survey, in the past few years the original science and technology cadres had almost all moved to the city. Arele Xiang is 8 kilometers from the xian city, and many middle school teachers expressed feelings of dissatisfaction with working in Arele Xiang (there were also many difficulties in the work) and if they could they were ready to pick up at any time and move to the xian city. In the first half of 1987, two physicians (a husband and wife) in the Moyu Xian hospital both moved to a hospital in Urumqi without administrative letters of introduction, without residence relations, without party membership. Shache Xian and Moyu Xian show that after the "Cultural Revolution" not one Han university student was assigned there.

Comparatively speaking, the most important thing at the grassroots level in Southern Xinjiang now is administrative cadres with experience in social practice in an agency above xian level, who have a mission to serve minority peasants and herders and who can bear hardships, are capable, and can administer. They need not be specialists how have studied any particular field (without rejecting such specialists) but are talented people who are good at catching information from at home and abroad or from inside and outside the region, who have intimate contact with the actual conditions locally, and who can carry out comprehensive and systematic control of the economy and society. Only with such cadres moving ahead, creating excellent conditions for the living and working environments of the specialists and recruiting top-notch people on the basis of their needs, will there be

the conditions for talented people to move gradually to the grassroots levels and towards the first line of agricultural and animal husbandry production.

For cadres from party and government agencies above the xian level to go down to the grassroots level not only strengthens grassroots level leadership and necessary for spurring on development of agriculture and animal husbandry, but also is a necessity for revolutionizing agencies and reforming the political system. The relationship today between cadres and the peasant and herder masses is much more remote than in the fifties. In the past, cadres were often among the masses, experienced and observed the situation and helped solve problems for the masses. The masses were also willing to tell the cadres what was on their minds. Conditions are better now: the cadres have cars to ride around in and hurry here and there, but the masses only see the cars drive by and cannot see the cadres. The masses are very dissatisfied with this situation.

Bloated organizations, overstaffing, low efficiency, severe bureaucratism: these are common failings of many party and government departments. We don't say that the xiang level party and government leadership is weak because there are few cadres there. Today, one part of the reform of the political system is to change the state of organizations, overcome bureaucratism, streamline organizations and reduce the number of working personnel. Where will the cadres eliminated go? The best place and most suitable place for them is the grassroots level. Going into the masses of the peasants and herders not only can greatly improve relations between cadres and the masses, but also can better toughen cadres and change service to the peoples of all nationalities from a slogan into actual practice. The best cadres should be sent down and the talented ones among them trained and chosen. Those cadres who within a certain time can truly

change the state of affairs and are welcomed by the masses can be promoted and given greater responsibility, regardless of nationality. Those who cannot be leaders can be raised in grade and salary and given bonuses.

Reform of the political system should resolve the problem of avenues for many cadres. Development of agriculture and animal husbandry, especially improving financial well-being in the rural areas of Southern Xinjiang, urgently needs the help of a large number of cadres. Revolutionizing the cadres also requires gaining practical training and experience. The tendency of cadres and talented people to move up and down already exists and the problem now is for policy making departments to formulate policy, adopt suitable measures, open channels to make the movement of talented people truly dynamic. To reduce the work difficulties, the cadres who go down to the rural areas can retain their registered permanent residence, work unit and salary, have their tenure limited to three to five years and after having gone down the rural areas for a fixed period, must have completed responsibility indicators.

Cadres who go down to the rural areas should be young people and a mix of minorities and Hans. In working together, minority and Han cadres can complement each other. Cadres who go down to the rural areas should have some authority and should be able to thoroughly implement correct views. Otherwise, the importance will be lost. If the team in place is strong, they can function as guides and helpers; if the team is not good, they should be given greater authority to allow them to function as leaders. Before this work is carried out, some pilot projects can be run. If the results are good in one or two xiang pilot projects in each xian in Southern Xinjiang, after gaining some experience it should be widely promoted.

08226

NATIONAL AFFAIRS, POLICY

Economy Predicted To Hit Double-Digit Growth

OW2907161488 Beijing XINHUA in English
1359 GMT 29 Jul 88

[Text] Beijing, July 29 (XINHUA)—China will achieve a two-digit economic growth rate in the second half of this year, economists from the State Statistics Bureau predicted today.

During that period, China's national economy will continue to maintain its momentum of a steady and fairly high growth rate, they said.

The country's rapid industrial growth in the first half of this year is expected to continue through the second half, they said.

They predicted a 16 percent increase in China's industrial production this year over last.

However, the strains on raw materials, electric power, transportation and funds will probably become even worse than during the January-June period.

Stimulated by more investment and higher purchasing prices, agricultural production is expected to soar in the second half of this year, they said.

Cotton, sugar-bearing crops, flue-cured tobacco, bast fiber crops, melons and fruit will meet or top their annual production targets.

But it is likely that this year's grain output will fail to meet its annual production quota, but will be slightly higher than last year's, they predicted.

They blamed this situation on the reduced acreage sown to early rice and late autumn crops this year, and serious and frequent natural disasters.

The pork shortage will be eased further in the second half this year, they said, adding that outputs of beef, mutton and aquatic products will rise.

Meanwhile, China's retail sales are expected to top 700 billion yuan (about 190 billion U.S. dollars) this year, up 24 percent from last year.

Prices will show an upward trend in the second half of this year, as a result of a shortage of some commodities, state price decontrols and unauthorized price hikes, they pointed out.

China's exports this year are expected to hit an all-time high and will reach 100 million U.S. dollars a day.

With steady economic growth, the state, enterprises and individuals will all increase their incomes this year, the economists said.

China's annual budget target will be achieved and enterprises will retain more profits at their own disposal.

Total wages will rise around 20 percent this year from last, and the per-capita income available for living expenses in urban areas is expected to top the 1,000-yuan mark this year. The average income per rural resident will exceed 500 yuan this year.

Economists agree that the real income of most Chinese will rise after inflation.

But the real income of some residents will drop as a result of fairly high price rises, which are particularly affecting the livelihood of pensioners, office workers and workers in unprofitable enterprises.

Ministry of Construction Issues Regulations

OW1207192288 Beijing XINHUA Domestic Service in Chinese 1042 GMT 11 Jul 88

[By reporter Wang Yanrong]

[Text] Beijing, 11 Jul (XINHUA)—At its first news briefing meeting held today, the Ministry of Construction announced three regulations, encouraging its leading cadres to improve their methods of work in exercising leadership and its functionaries to remain honest in performing their official duties, raise their work efficiency and provide better services, and asking the masses to strengthen their supervision.

The "Ministry of Construction Work Method for Its Leading Cadres" particularly called for efforts to let reform play a dominant role in overall work, exercise the leadership even more thoroughly, discuss issues in a democratic way, carry out consultation and dialogue, exchange views regularly, and provide mutual supervision. It is essential to solve problems promptly, eliminate red tape, and resolutely do away with excessive meetings and paperwork. According to the requirements of the regulations, the leading cadres of the Ministry of Construction had held their first meeting on the practice of democracy.

The "Regulation of the Ministry of Construction To Encourage Its Functionaries To Become Devoted to Their Duties and Remain Honest in Carrying Out Their Official Functions" called on the Ministry's functionaries to remain honest in performing their official duties, observe discipline and law, handle their official matters impartially, and refrain from abusing their power to seek private ends, accepting bribes or gaining improper revenues. The regulation also included clear-cut stipulations on limiting the number and scale of meetings and on the amount of the meal and boarding allowances for functionaries on temporary duty status.

The "Regulation of the Ministry of Construction on Raising Work Efficiency and Improving Services" clearly pointed out: Various organizations in the ministry must establish a system of personal responsibility, set up definite targets, and faithfully do their own jobs and perform their own duties. It is necessary to take good care of and warmly receive those who visit the ministry on official businesses. Efforts must be made to respond, within a period of 15 days, to any request for instructions from the lower level.

Experts Discuss Contract System at Jilin Seminar
OW0707051588 Beijing XINHUA in English
1132 GMT 5 Jul 88

Beijing, July 5 (XINHUA)—About 300 theoreticians and practical workers engaged in lively discussions at an ongoing National Seminar on Contract System and Price Reform held in Changchun, capital of Jilin Province, the PEOPLE'S DAILY reported today.

The contract system, which has been going strong since the beginning of last year, has been affected severely by price fluctuations and there are people who wonder if the system can survive.

At the seminar, Zhang Yanning, vice minister of the State Commission for Restructuring the Economy, said that the implementation of the system is the best choice to cope with the conditions in enterprises in present-day China, the paper reported.

Song Tingming, also an official from the Commission, believed the system, though challenged by the fledgeling share-holding system in industry, can flourish. "Actually, the two systems do not contradict each other," he said.

Yet many of those present agreed that the development of the system has led to the establishment of a new relationship between government and enterprises, to the weakening of the interference in enterprises by the government and to the introduction of a competition system.

According to a survey of 1,200 enterprises, the practise of the contract system has enabled the enterprises to better cope with price fluctuations in the market.

Xiao Zhuo, a professor at Beijing University, said that the contract system functions as the prerequisite for the price reform, which in turn will enable enterprises to rejuvenate themselves.

Many hold that the contract system should be perfected before ushering in the price reform, and that the two should and can be closely linked, the paper reported.

Official Discusses Land Transfers

OW0707170088 Beijing XINHUA in English
1118 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—A Chinese land administration official has called for speeding up experiments in paid transfer of land utilization rights and drawing up a set of regulations for the whole country to follow in this respect.

Zhang Xiaohua, Director of the Policy and Regulation Department of the State Land Administration, said that ever since the experiments began in the latter half of last year, encouraging achievements have been made despite existing problems.

Now, the transfer should be trial-practiced in more localities so as to gain enough experience for making an authoritative set of regulations, Zhang said in an interview with the Beijing-based ECONOMIC DAILY.

The experiments have been carried out in Shenzhen, Shanghai, Tianjin, Guangzhou, Fuzhou, Xiamen and Hainan. And so far 37 pieces of land have had their utilization rights transferred through auctions, public biddings or agreements.

Zhang described the reform as of "positive significance". "It has not only helped form and improve a socialist market system but has also opened up a new source for city construction funds," he said.

For instance, the Shenzhen Special Economic Zone transferred the use rights of five pieces of land last year with a business volume of 35 million yuan, 2.5 Times the total land-utilization fees collected by the zone.

It is estimated that in the future, Shenzhen will be able to earn more than 100 million yuan from such transfers each year, enough for the needs of the city's construction.

He listed four basic principles for land utilization right transfer:

- the transfer is only that of utilization right, not ownership;
- the initial paid transfer should be totally monopolized by the government;
- all the earnings gained from the transfer should go to the government;
- the transfer should be carried out according to international practices.

Overconsumption Blamed on 'Extravagance' of Government Institutions

OW3007121488 Beijing XINHUA in English
0638 GMT 30 Jul 88

[Text] Beijing, July 30 (XINHUA)—Government and business extravagance must be checked to curb the rapid expansion of consumer spending in China, today's WORKERS' DAILY said.

The paper said excessive consumption wasn't due to people's demands for color TV sets, twin-door refrigerators and washing machines.

Rather, it said, "it is the extravagance on the side of government institutions and enterprises that is to blame."

It said consumption by government and business has far exceeded that of residents in the past four years. Officials have dined, lived and travelled in a luxurious way at public expense.

"Honest government calls for an end to extravagance," the paper said, "to control consumption it is necessary to give guidance to the masses, but it is much more important for officials to set a good example."

Meanwhile, today's PEOPLE'S DAILY criticised officials for ignoring a State Council ban on pop-top canned drinks at public expense.

"The State Planning Commission has just issued regulations in this regard," it said, "but people still can see on TV pop-top cans are served at various meetings."

"It seems government regulations on checking malpractices have little effect."

The paper urged more effective measures lest the regulations wind up like a pop-top can—giving a pop and little else.

Paper Favors Book Price Reforms

OW3007023688 Beijing XINHUA in English
0135 GMT 30 Jul 88

[Text] Beijing, July 30 (XINHUA)—China should reform its book pricing system to promote the nation's publishing business, said today's CHINA DAILY.

Due to the low prices of books and the rising costs of paper and printing, publishing houses are finding it difficult to carry on their business.

According to the paper, the price of letter-press paper rose by 191 to 222 percent from 1956 to 1988. In contrast, book prices rose by 15 to 25 percent in 1988 compared with 1956.

"So the price of paper increased about 14 times faster than book prices. This difference in the two prices affects book production," said the paper.

And book prices are the same in different places even though the prices of paper and printing vary, it added.

Low book prices are normally considered one of the advantages of a socialist system. Occasionally, the state has changed book prices in accordance with their production costs, but on the whole, it emphasizes the need for fixed book prices and does not often permit publishing houses to decide their own.

As a result, this rigid policy hinders the development of the nation's publishing business, said the paper.

PROVINCIAL

Hebei Official on Production, Foreign Trade

SK2707124988 Shijiazhuang HEBEI RIBAO in Chinese 9 Jul 88 p 1

[Text] The provincial government held a telephone conference on the evening of 8 July. At the conference, Provincial Vice Governor Song Shuhua summarized the province's industrial production and export trade situation in the first half of this year and set forth that, in the second half of this year, the province should further deepen enterprise reform, take the improvement of economic results as a key link, perfect and develop contracted management responsibility system, continue to extensively and deeply launch the "double-increase and double-reduction" campaign, persist in integrating speed and results, and fulfill or overfulfill all tasks for this year's industrial production and foreign trade work.

After summarizing the province's work in the first half of this year, provincial Vice Governor Song Shuhua said: In the first half of this year, the province ensured a sustained and steady increase in industrial production. The province's total industrial output value in the first half of this year reached 22.843 billion yuan, an increase of 16.6 percent over the corresponding period of last year. The volume of sundry goods exported by foreign trade departments in the first half of this year reached \$601.43 million. The goal of fulfilling more than one-half of the annual industrial production plan by mid-year was realized ahead of schedule.

However, there are some problems related to industrial production and the export work of foreign trade. Problems and unfavorable factors related to industrial production are raw material and transportation price hikes. It is difficult for enterprises to completely assimilate these problems and factors. Production costs increased. In the first half of this year, the production costs of budgetary enterprises rose by 4.5 percent. There is a strain on raw material supplies. The supply of raw materials cannot meet the demands of production.

Major problems related to foreign trade work were as follows: The measures for reforming the foreign trade structure were not implemented or coordinated.

Provincial Vice Governor Song Shuhua set forth: In the next half of the year, industrial and communications fronts and foreign trade departments throughout the province should further deepen enterprise reform, take the improvement of economic results as a key link, perfect and develop the contracted management responsibility system, continue to extensively and deeply launch the "double-increase and double-reduction" campaign, persist in integrating speed and results, and fulfill or overfulfill this year's industrial production and foreign trade export tasks.

He said: The industrial front should substantially strengthen the work to organize production. The key to fulfilling this year's industrial production tasks hinges on attending to the work in the third quarter of this year. It is necessary to strengthen the management of the power industry and ensure its scientific management. We should positively create conditions for increasing the output of energy resources and raw material products and of readily marketable light industrial and textile products, products that can create foreign exchange through exports, and products to support agricultural development. We should substantially attend to safety in production; continue to attend to the work of turning deficits into profits, practicing economy, and reducing energy consumption; further upgrade economic results; and pay attention to enterprises' technological progress. It is necessary to grasp the development of new products and strengthen enterprises' marketing work.

It is necessary to continuously deepen enterprise reform.

1) On the basis of "reviewing" the implementation of the contracted system, we should attend to coordinating, perfecting, deepening, and developing the system and carry out the system of each level auditing the lower level's contract fulfillment so as to avoid near-sighted behavior. We should study ways to coordinate the contract system with reform of the price structure and ways to carry out the contracted system among collective enterprises. 2) We should attend to perfecting enterprises' inherent operational mechanism, introduce competition to enterprises, carry out the method of opening public bidding for contractors at each level, implement the cadre appointment system, and optimize labor associations. Surplus personnel should be employed through developing in-plant labor service markets, an in-plant job-waiting structure, tertiary industry, and in-service training. 3) Enterprises' inherent distribution system should be grasped. Based on the reform of the labor personnel system, we should vigorously carry out the piece-rate and fixed-quota wage systems, carry out the method of linking labor achievements with wages, arouse the enthusiasm of staff and workers for production, and strive to promote the development of production.

Provincial Vice Governor Song Shuhua called for conscientiously attending to the work of foreign export trade. All prefectures, cities, counties, and departments concerned and production and goods supply enterprises should enhance their awareness of creating foreign exchange so as to create more foreign exchange through more exports. It is necessary to further implement the targets covered in this year's foreign trade plan and implement the contracted management responsibility system among the grassroots and the production and goods supply enterprises.

It is necessary to strengthen purchases of commodities to be exported. In order to ensure an ample supply of foreign exchange-earning export goods, foreign trade departments should appropriately decontrol the purchase prices and reasonably define the purchase prices of export commodities. Governments at various levels and departments concerned should strengthen leadership, coordinate the relationship between industry and trade and between agriculture and trade in a timely manner, and solve various types of problems. Foreign trade departments should further improve their service attitude and attend to export transactions. Customs and banks should work positively and closely in coordination with the foreign export trade.

Development Strategy for Heilongjiang

40060372 Beijing ZHONGGUO JINGJI XINXI BAO in Chinese 28 Jun 88 p 3

[Article by Li Xiufeng 2621 4423 1496, Vice-Chairman of the Heilongjiang Economic Planning Commission: Implementation of New Development Strategy Accelerates Heilongjiang's Economic Development"]

[Text] Heilongjiang is one of the provinces whose construction has been a national focal point since the founding of the People's Republic. For over thirty years, under the correct guidance of the CPC Central Committee and the State Council, Heilongjiang's national economy and social undertakings have achieved rapid development, and the "Great Northern Wilderness" of former times has now taken on a new look, having become an important industrial and agricultural production base for the nation, making an enormous contribution to the construction and development of China's national economy. Especially after the Third Plenum of the 11th CPC Central Committee, because of adjustment of the national economic structure, reform of the economic management system, and reorganization of existing enterprises, the whole province's economy has followed a course of continuous stable development.

Heilongjiang has always been known for its bountiful resources and ample material and technical base. It has cultivated land which ranks first in the entire nation and excellent soil, as well as abundant forestry resources and vast grasslands. It has mineral resources such as petroleum, gold dust, and coal, of which its reserves are in the front rank nationally. It can also produce a series of

important industrial products, such as one-third of the nation's electric generating equipment, as well as smelting equipment, machine tools, precision bearings, measuring and cutting tools, electrical instruments and the like. In 1987, Heilongjiang's gross value of industrial and agricultural output reached \$54.77 billion, 17.1 times the 1949 figure. Of this the gross value of agricultural output was \$11.53 billion, or 4.6 times that of 1949, while the gross value of industrial output was \$43.24 billion or 60.8 times the 1949 amount.

Even though Heilongjiang has relatively favorable conditions for economic development, we also soberly recognize that, under present circumstances, further development of Heilongjiang's economy still faces many problems and difficulties. Conspicuous among these are inappropriate economic structure, low returns from economic activities, and the failure to turn vast superiority in resources into actual economic superiority. Overcoming hardships and accelerating Heilongjiang's economic development is not only the urgent desire of the people of Heilongjiang, but is also necessary for the economic development of the whole nation. We must firmly grasp the development opportunities offered by the coastal region economic development strategy, face reality, and, in the course of a major transformation of the domestic economic structure, implement a new development strategy, in order to accelerate Heilongjiang's economic development.

We will continue to use reform to take on the situation as a whole, giving full play to geographic features and existing economic superiority in giving impetus to opening in all directions, "allying with the south to open the north" and "moving out of the east and into the west", actively utilizing the opportunity afforded by the increased flexibility of Soviet economic policy, making frontier trade and economic and technical cooperation with the Soviet Union a focal point of opening up to the outside world, and participating in the small cycle of Northeast Asia regional economic development. In this way, we can combine the large cycle of indirect entry into the south with the small cycle of direct entry into the north to develop and expand Heilongjiang's economy. At the same time, we will promote structural adjustment of Heilongjiang's industry, gradually forming a capital and technology-intensive industrial structure oriented toward both domestic and international markets, based on development of resources and with comprehensive utilization of resources and multiple processing as its principle component; and, finally, we will proceed to an export-oriented economy. In realizing all of these goals, the main near-term task is to vigorously promote scientific and technical progress and the development of educational facilities, and at the same time to adjust industrial policy, firmly taking hold of the weak links of national economy, strengthening basic industry, and laying a foundation for the formation of a new structure.

1. The first task is to rapidly strengthen agriculture and make it a real strength of the whole national economic base.

Heilongjiang has favorable conditions for the development of agriculture. Its existing agricultural base is fairly good, it has a large area of land under cultivation, vast grasslands, fertile soil, a large amount of reclaimable wilderness, and a number of flourishing state farms, while its level of agricultural mechanization is among the highest in China.

Heilongjiang's agricultural development requires adhering to a "two-flank" strategy of active development of crop-raising as the main body, while promoting stock-raising and town and township enterprises as the two flanks. The main body leads the two flanks, while the two flanks protect the main body.

In order to allow Heilongjiang to become the nation's main grain production base, we will focus on relying on different levels of farmland capital construction and utilizing advanced science and technology to improve fields with medium-to-low productivity. At the same time, we will engage in extensive development, making the Three Rivers Plain an experimental area for comprehensive agricultural development, geared to needs both within and outside of the province, and both in China and abroad, implementing open development. We are striving to allow Heilongjiang's grain output to attain a new level before 1992, reaching over 20 billion kilograms. We will vigorously provide a quantity of such commodities as soybeans, corn, wheat, and rice.

In accordance with market demand, we will develop in a planned way such principal economic crops as beets, flax, traditional Chinese medical materials, and the like, making them fit processing capability, and ensuring market and export demand.

Dairy cattle-raising is the area of stock-raising in which Heilongjiang is strongest, and in which it occupies an important position nationally. Henceforth we must expand the scale of dairy cattle production in accordance with domestic market demand, and then proceed to aim at international market demand. Based on overall development of the whole province, we must form several focal dairy cattle-raising regions, gradually forming scale operations, and making this a major mainstay industry of Heilongjiang's rural economy.

Vigorous development of town and township enterprises is an important step in promoting the rapid modernization of agriculture. The focus of future development will be on such areas as preproduction and postproduction service in such industries as crop-raising, stock-raising, and forestry; processing of agricultural byproducts; third industries to serve the rural population; and industries to develop and utilize local resources.

2. The second task is to expedite infrastructure construction, centered on electric power.

The shortage of electric power is a conspicuous factor in the backwardness of Heilongjiang's infrastructure. Resolution of the electricity problem, in a situation in which there are no new projects and no increase in the scale of construction, could increase output value by several million, and greatly increase economic returns. There are fairly favorable conditions in Heilongjiang for expediting the development of electric power. One is that coal, the main fuel for generating electric power, is plentiful, and is mined on a large scale. Second is the basic condition needed for constructing thermal and hydroelectric power stations—abundant water resources. The total volume of the province's surface and underground water is estimated at 77.2 billion cubic meters, with total theoretical water power reserves of 8.44 million kilowatts, of which the total installed capacity that can be developed is 6.12 million kilowatts. The third condition is that Heilongjiang has manufacturing industry with complete sets of comparatively powerful large-scale electric power plant facilities, which are striving to double the current installed thermal power capacity by around 1992, increasing the annual volume of generated electricity by over 80 percent. At the same time, we will fully utilize water resources, and accelerate construction of hydroelectric power plants.

Within the infrastructure, we must also make an effort to resolve the problem of constructing transportation and communications facilities. With the construction of a properly arranged network of railroads, highways, and marine and air transportation as a goal, we must carry out new regulatory construction and improvement; at the same time, we must accelerate the construction of a hub of communications, increasing intracity telephone, long-distance communications, and postal capacity, and gradually adapting transportation capacity and post and telecommunications capacity to the needs of economic development.

3. The third task is to lay a foundation for six large mainstay industries.

Based on Heilongjiang's existing industrial structure, future development requires the following mainstay industries: petrochemical industry, industries making comprehensive use of lumber, textile industry with flax, wool, and synthetics as the primary materials, food industry, construction and construction materials industry, and machinery electronics industry.

At present, China's coastal regions are implementing a strategy for developing an export-oriented economy. This provides just the right opportunity for this strategic option of our province. At the same time, this option of ours has also provided support to the coastal region for better implementation of its development strategy. This is also in keeping with our province's strategy of "allying with the south to develop the north". The focal point of

the coastal region's development of an export-oriented economy is to make labor-intensive and knowledge-intensive industry the main component, and put the two "ends", i.e. the source of raw materials and the marketing of products, on the international market. In this way, the coastal region's product mix will gradually change to one consisting primarily of final products, and the region's industrial structure will also consequently change. This change in the coastal region has formed an exact substitute for Heilongjiang's mainstay industry option.

In the development of the petrochemical industry, Heilongjiang will fully utilize the strength of Daqing Oil Field, cooperating with Daqing in developing small surrounding oil fields. It will also cooperate with related domestic and foreign quarters in starting work on a number of relatively large-scale petrochemical projects; the main projects include a 20,000-ton methyl methacrylate project, a 40,000-ton polypropylene project, a 60,000-ton styrene project, an 80,000-ton polyester project, a 100,000-ton ethylene project, and a 300,000-ton synthetic ammonia project. With this, Heilongjiang's petrochemical industry will begin to take shape.

Heilongjiang's existing lumber processing and comprehensive utilization industries have a very great development potential. In the future, we must further increase lumber processing capability and level, developing raw materials processing industries such as the fiberboard industry, primarily using surplus materials of logging, milling, and processing, and vigorously develop the papermilling and fiberboard furniture industries.

Heilongjiang's textile industry, consisting primarily of flax, wool, and synthetics, has begun to take shape as a burgeoning new industry in recent years. Henceforth, aside from continuing to increase production capacity by a certain quantity, the focus will be put on coordination of the various links within the textile industry, from spinning to dyeing, raising the overall capacity and technical level, and increasing the variety of products, in order to meet market demand.

Heilongjiang's food industry already has a considerable base; the future focus will be put on improving quality and increasing variety, and the scale of production will be expanded based on market demand. Supported by the abundance of agricultural byproducts, we must vigorously develop a line of soybean food products, manufactured grain products, and sugar products; supported by the stock-raising industry, we must vigorously develop a line of meat products and dairy products; and supported by the special local resources of the mountains and plains, we must vigorously develop a line of distinctive local food products. We will strive to develop the food industry into Heilongjiang's third- or fourth-ranked industry within seven or eight years.

Heilongjiang's building materials industry has as its foundation abundant resources and fairly mature technology. In the future, based on the continuous improvement of product quality, we must expand the production capacity of general, staple building materials. At the same time, we will use our province's strength in building material resources, combined with the existing results of scientific research, to develop a number of key projects for producing new building materials, in order to prepare for a large-scale replacement of building materials.

The machinery electronics industry is Heilongjiang's second-ranking major industry after the petroleum industry, and occupies an important position nationally. Overall implementation and basic completion of technical improvement of the entire industry is the central near-term task of Heilongjiang's machinery electronics industry. The goal of improvement is to have 60-70 percent of products achieve the international level of the late 1970's-early 1980's, and to have the equipment and technology of the machinery industry attain the international level of the early 1980's. Breakthroughs must be made in two areas. The first is large-scale improvement of the overall production capability for high-precision, high-efficiency mechanical and electronic instruments; the second is large-scale improvement of equipment capability in a number of specialized fields.

In short, Heilongjiang is a province with very bright prospects for development. Guided by the spirit of the 13th CPC Central Committee, it will further free itself from old ideas and liberate the productive forces, while, guided by the policy of reform and opening up to the outside, and further aided by a development policy geared to the actual situation, Heilongjiang's economic construction will certainly forge ahead even faster, and with even better returns. In this, we sincerely welcome various foreign and domestic circles to engage in extensive cooperation with us, and contribute their strength to vigorously develop Heilongjiang and accelerate China's four modernizations.

13387

Jiangsu County Sets Up Economic Zone With Own Funds

HK2707131988 Beijing RENMIN RIBAO in Chinese
22 Jul 88 p 1, 2

[Article by XINHUA reporter Zhao Ming 6392 2494 and RENMIN RIBAO reporter Chen Jian 7115 0256: "Developing at One's Own Expense—Notes on the Kunshan Economic and Technological Development Zone"]

[Excerpts] On the eastern side of the ancient county town of Kunshan, Jiangsu Province, a new industrial zone is rising on the previously quiet farmland.

Kunshan is near Shanghai and Suzhou. Other people are envious of the exceptional advantages. But the people of Kunshan did not know how to use them. They even pledged "not to become a 'colony' of Shanghai." After a few years, Kunshan eventually came to realize that it had lagged behind others in economically. At the end of 1984, the county authorities were determined to take the road of lateral association. They designated a piece of land and built an industrial development zone at their own expense. They also invited Chinese and foreign entrepreneurs to set up factories there.

Although it was listed neither among the open coastal areas defined by the central authorities nor in the state investment plan, the Kunshan Economic and Technological Development Zone began to take shape in 3 years, miraculously appearing before people's eyes. In the development zone, which covers an area of 3.75 square km, roads radiate in all directions and there is an ample supply of water and electricity and a free telecommunications flow. The favorable investment climate has attracted 17 enterprises, among which are 4 foreign-funded ones. Last year 13 enterprises went into operation, yielding 278 million yuan in output value and 10.19 million yuan in profit. It handed over taxes totaling 6.07 million yuan to the state and earned \$15.5 million in foreign exchange. In the short space of 3 years, the taxes handed over to the state by the enterprises have equaled the total investment Kunshan County made in the development zone.

During an inspection tour of the place at the end of last year, General Secretary Zhao Ziyang fully affirmed the practice of using local funds to set up development zones.

The people of Kunshan rely on their own strength to build the development zone, which is vigorously stimulating Kunshan's economic development. The factories in the development zone have spread the production of parts and components among more than 30 township and town enterprises. The successful experience of building development zones at one's own expense is being emulated by everyone. In Kunshan County some 20 townships and towns are relying on their own efforts to build small industrial zones. The county's economy has developed rapidly. Its gross industrial and agricultural production value was only 1.06 billion yuan in 1984, reached 1.58 billion yuan in 1985, rose to 2.15 billion yuan in 1986, and shot up to 2.85 billion yuan last year, an increase of almost 100 percent every 2 years.

Today the Kunshan County People's Government has decided to speed up the construction of the economic and technological development zone. The size of the zone has been expanded to 6.68 square km. The number of construction projects is expected to increase by 100 percent over last year. The county people's government is striving to turn it into an industrial base with an

annual output value of 1 billion yuan and earning \$50 million in foreign exchange by 1992 and into a "show-piece" for Kunshan's economic development.

Inner Mongolia Reveals Foreign Economic Problems

SK2307072188 Hohhot NEIMENGGU RIBAO in Chinese 25 Jun 83 p 1

[Text] Reporters learned from the recent forum on checking the foreign economic contracts, which was cosponsored by the regional government office and the regional supervisory department, that since its setup, the regional administrative and supervisory organization has preliminarily checked 7,797 economic contracts related to foreign countries involving more than \$84 million. Through the checks, the organization discovered the following problems related to foreign economic contracts:

There were many contracts through which our side notably suffered losses and was fooled. The quality of imported machinery and equipment was low, and imported technological materials were incomplete. For instance, three old cranes that a certain unit imported from West Germany in 1986 can no longer be used. This has directly brought about more than 400,000 yuan worth of economic losses to our side.

Economic results were not good. Because the home-made auxiliary equipment could not work in coordination with the imported equipment, the managerial level was rather low, and the quality of staff and workers was low, some localities and enterprises failed to properly apply the imported equipment. Some localities and enterprises even blindly imported equipment and technologies not in line with actual demands. As a result, a situation was created in which "there are machines but no workshops" and "strong horses draw small carts." For instance, a city with a population of 100,000 imported a bean curd production line with an annual production capacity of 2,700 tons of bean curd, which can serve 300,000 people; however, the city produced 90 tons of bean curd last year.

Our side poorly created foreign exchange through exports and paying debts. For example, a plant imported production lines in the form of compensation trade. However, it failed to fulfill the compensation task because its products did not conform to the requirements of foreign businessmen; so, it cannot but buy foreign exchange with Renminbi for compensation. Some plants relied on domestic loans to import production lines. Some of them failed to compensate for the loans and were heavily in debt because of poor economic results.

Being dilatory in doing things, being irresponsible, and mutually shifting responsibility onto others brought about economic losses and had a bad influence. For instance, a company purchased a machine from Japan

for 15,000 yuan; however, no one picked up the machine because of the division of labor between units. After 3 months, Tianjin harbor sold the machine at a reduced price in the name of no owners. What was more ridiculous was that later, the company bought the machine from a private household for 10,000 yuan more. A unit did not investigate the traveling trade and blindly exported 10,000 kg of astragalus membranaceus. As a result, the traveling trader went bankrupt and the unit lost both its money and the goods. A certain company exported lentils. Each sack should be packed with 90 kg, according to the defined amounts; but each sack of lentils the unit exported was packed with 100 kg.

Technological inspection groups to foreign countries were organized by "officials." Over the past few years, some party and government leading cadres who were not related to the inspection tasks vied to attend the inspection groups to foreign countries. These cadres neither knew technology nor were familiar with the professional work. After going abroad, they gave no help to the fulfillment of the inspection tasks.

The forum pointed out: The aforementioned problems revealed the existence of blind and irresponsible activities related to foreign economic work because of bureaucracy, neglect of duty, and violation of discipline. Meanwhile, some problems related to the management system, the capacity to conduct foreign economic work, and cadres' quality were also exposed. Therefore, leaders at various levels and relevant departments should pay high attention to these problems and should adopt such measures as deepening reform, perfecting the management system, strengthening education, and upgrading the quality of professional work to promote the smooth progress of foreign economic work.

Qinghai Investment in Fixed Assets

HK2207115688 Xining Qinghai Provincial Service in Mandarin 1400 GMT 20 Jul 88

[Summary] Investment in fixed assets in Qinghai Province has been adequately controlled. In the first 6 months of the year, the total investment in fixed assets was 450 million yuan or more, cutting down more than 120 million yuan and a drop of 23.5 percent over the corresponding period of the previous year. Meanwhile, 79 percent of the total investment were used for production-oriented projects. By the end of June, capital construction projects were reduced by 140, a reduction of 43 percent over the corresponding period of the preceding year.

World Bank Appraisal Group Visits Shandong

SK0507113988 Jinan Shandong Provincial Service in Mandarin 2200 GMT 3 Jul 88

[Text] On the afternoon of 3 July, Vice Governor Li Chunting met at Qilu Guesthouse with the appraisal group of the World Bank, headed by (Jin Wenbo). The World Bank has decided to grant \$100 million in loans

on favorable terms to support the construction of our province's comprehensive agricultural development projects. This group's current visit to our province is aimed at conducting appraisal on the basis of the investigation conducted this spring.

During the reception, Vice Governor Li Chunting said: Members of the World Bank are old friends of the Chinese people and have given great support to China and Shandong in developing natural resources. For this, we express our heartfelt gratitude.

Then he briefed the guests on the province's situation in politics, the economy, reform, and opening-up.

The eight-member appraisal group of the World Bank arrived in Japan on the morning of 3 July. Joining the reception were responsible comrades of pertinent provincial-level departments.

Hong Kong Paper Profiles New Mayor of Shanghai

HK0707094588 Hong Kong HONGKONG STANDARD in English 7 Jul 88 p 12

[By Kevin Sinclair]

[Text] In a proud old Shanghai mansion in Nanjing Road, once home of a multi-millionaire tycoon who fled in 1949, the new mayor of the biggest city in China was talking about his problems.

There are, he admits, plenty of them.

A lot of people are counting on Zhu Rongji being able to cure many of the economic and social ills that so richly bedevil the metropolis on the Huangpu. One focus of his policies will be to attract significant fresh investment from Hong Kong.

He has a record of success in grappling with daunting projects. The recent history of Shanghai, however, presents predicaments of such immensity that workable solutions are going to be difficult to implement, even for a determined workaholic with the reputation of being able to cut through the appalling knots of red tape enshrined in the creaky Chinese bureaucracy.

But Zhu Rongji has left nobody in any doubt that he means to give it his best try. Since being elected to the top slot in April he has already managed to eliminate many of the more inefficient and irksome aspects of dealing with the myriad agencies, offices, bureau, departments, divisions and other sections of the municipal government.

This has earned him applause from foreigners and overseas Chinese trying to bring new investment to the huge industrial conurbation on the Huangpu. It has also won

him the nickname by which he is widely known to visiting businessmen and the swiftly re-emerging new Shanghai entrepreneurial class—"One-Chop Zhu."

According to a number of sources, the new mayor was dubbed with this title soon after his arrival. Making inspection visits and talking to some of the disgruntled young cadres and potential entrepreneurs who have been trying in vain under recent administrations to get the city moving, Mayor Zhu was appalled to discover that one enterprise seeking to set up shop had been forced to send senior staff traipsing from office to office to collect the necessary authorisation from inhabitants of the bureaucratic beehives largely occupied by drones.

This businessman complained he had collected no fewer than 136 official chops in his quest to get the necessary permission to begin operations. Mayor Zhu issued instant orders establishing yet another office, but one with a difference.

In future, he ordained, if anyone came to Shanghai with a business proposition they were to go to the Shanghai Foreign Investment Commission where a team of experts would look at the idea. If it was approved, it would be given go-ahead. It would be, he insisted, a one-stop shop to facilitate business.

So was born the legend of One-Chop Zhu. The Commission is now busily processing—and approving—scores of new applications from industrialists all over the world.

The arrival of the new Beijing-picked technocrat has established a whole new mini-industry in Shanghai. Foreign businessmen and diplomats over their beer and local merchants over their green tea have become Zhu Watchers. What will he do next?

Nobody seems to know although the arrival of Zhu Rongji has sparked new hope. Under the Chinese system he was handpicked by the nation's supreme leaders in Beijing and their choice was then swiftly and dutifully approved by the Shanghai People's Congress.

Although just about every one of Shanghai's 12.5 million people is talking about the new mayor, not a lot of people seem to know much about him. Last week, I was the first reporter to whom he gave an interview since he took office.

Zhu Rongji is a slim, athletic economist whose career has been chequered. When he talks, he does so in a softly modulated voice; although he speaks fluent English he answered questions through an interpreter from the city's Foreign Affairs Office.

Years in political exile gave Zhu Rongji ample time to follow his literary leanings and study the works of contemporary modern writers like Lu Xun (whose tomb is not far from city hall) and Ba Jin. Associates say he can

play the two-stringed "huguin", a musical instrument hard to master, and is an ardent fan of Beijing Opera. He is also said to be a dab hand with a table tennis bat.

Chances are, the new mayor will have little time to practise these hobbies.

Dressed in a casual safari-suit jacket, he travels around the city to a series of meetings and inspection tours. Would he be coming to Hong Kong in the near future looking for new sources of investment? "I won't be going anywhere for a year or so," he laughed, indicating that his priority workload will be to spur on Shanghai's sluggish development.

Born in Changsha, Zhu Rongji is said to exhibit fully the wide streak of determination for which Hunanese are known throughout China. He is not a man who takes to accepting "no" for an answer when he wants something accomplished.

Mayor Zhu came to his new job through a somewhat tortuous path. He suddenly turned up in Shanghai in February this year, appointed a Deputy Secretary of the Municipal Party Committee. Weeks before the election on April 25, it was an open secret that he was going to take over the top job in the sprawling powerhouse through which is funnelled so much of China's trade.

he began clearing house the day he moved into the mayoral office in the old Hong Kong and Shanghai Bank building facing the bund which now houses the headquarters of the Shanghai Municipal People's Government.

One story going the rounds is that on the first day, he called in top tourism officials. His orders to them were brief: get out teams of workers and have them clean every public lavatory in the city. How was Shanghai to attract the hoped for 900,000 foreign tourists expected this year if they couldn't find a clean restroom? The work was done; last week, I went to a number of toilets in the city and they were all reasonably hygienic.

Mayor Zhu has a reputation both for fine details and for getting results.

Born in Changsha in 1928, he went on from local high school to Qinghua University in Beijing where he studied electronics, specialising in electric motor manufacturing. He was a keen student activist and became chairman of the university student union and busily involved in "progressive" student movements. Aged 21, he was admitted into the Chinese Communist Party. They were stirring times; he entered the party in October, 1949, when another Hunanese named Mao Zedong was on the platform at Tienanmen Square proclaiming the birth of the People's Republic of China.

When he graduated in 1951, he was assigned to work not in electronics but in the powerful State Planning and Economic Commission. Although official records indicate Zhu Rongji was attached to the Commission for more than 30 years, his career was blighted. In 1957, he unwisely made a brief speech of criticism about the system. This was in the heady days of the Hundred Flowers movement when criticism was, briefly, encouraged. Like many others, Zhu spoke out. Like many others, he was promptly denounced as a "rightist" and punished; he was not officially rehabilitated until 1979.

Denunciation for a three-minute speech that he has described as "well-meant criticism" was a "painful personal experience," he has said. Like millions of others he suffered during the decade-long hiatus of the Cultural Revolution.

Zhu's work at a power transmission agency under the old Ministry of Petroleum caught the eye of national planners and in 1978—even before his official rehabilitation for his speech three decades earlier—he was transferred to the State Economic Commission. For the best part of a decade he was a vice-minister in charge of upgrading China's industrial technology. It was from this solid base of national economic policy-making that he was plucked earlier this year and sent down to Shanghai.

He finds a city facing problems of lethargy and out-moded work patterns but one with potential as enormous as its physical size.

And last week Mayor Zhu made no bones about how he was looking south for inspiration.

"Tell Hong Kong entrepreneurs there is every reason to invest here," he said. "They will not be let down."

His assurances were plainly meant to dispel widespread reluctance to invest in Shanghai because of tales of tortuous bureaucratic procedures which in the past have driven potential new factories to places such as Xiamen and Tianjin.

Mayor Zhu now says bluntly: "We will guarantee that foreign enterprises can work in Shanghai in accordance with international practices."

The municipal authorities hold out fiscal carrots such as tax holidays for new enterprises, help in finding land and labour and other incentives. There are the normal promises from the central government about being able to remit profits and other advantages enshrined in the national policy of coastal cities development.

He is determined, also, to eliminate the politics of envy that in the past have had local officials grumbling about Hong Kong businessmen and other investors making healthy profits.

Zhu Rongji explains: "Now we have a saying that no matter how large are the profits and benefits made by foreign investors in Shanghai, we should not be envious. It is not how much they profit, but how much we make that is important. That is what should concern us.

"There should be more cooperation between Hong Kong and Shanghai," he proclaimed. "Because of geography, naturally there are very close links between Hong Kong and Guangdong, particularly in labour-intensive industries.

"But Hong Kong manufacturers might benefit from the intellectual base and advanced technological workforce available in Shanghai."

Joint developments between the two cities in the recent past were hampered because "conditions were not perfect in Shanghai."

"Frankly speaking, the investment environment has been much better in Guangzhou," he admitted. "The market economy in Guangzhou is much more deeply rooted.

"But we are making greater efforts to improve the investment climate. People believe Shanghai is harder to deal with. Well, the situation has changed a lot."

(It does well to remember how astonishing such positive references by a senior Communist Party officer to market forces would have been considered just a few years ago).

Mayor Zhu predicts the flow of investment from Hong Kong to Shanghai will increase. And he obviously keeps a close eye on the Hong Kong press; he referred several times to critical stories about Shanghai which had been published recently in Hong Kong. These dealt with poor fiscal results, lack of infrastructure and a drop in citizens' morale. Alas, the mayor said, all these stories were based on fact. "The image of Shanghai is grey in the Hong Kong press," he lamented.

But, he added, there were also positive points at which he thought people should take a look.

Like Hong Kong, one major asset in Shanghai's credit bank is its people. The 12.5 million population is both technologically and culturally well-educated, he contends. The city's industrial base includes significant manufacturing enterprises of every major economic sector. One tenth of all China's industrial production stems directly from the 100 square kilometres that is the middle of the city sprawl.

"So in that sense, Shanghai provides the best investment environment in China," he maintains, repeating the invitation for Hong Kong entrepreneurs to visit the city and look into possibilities.

Mayor Zhu is an intense cadre of proven ability. He faces the facts. He admits that infrastructure needed for a modern industrialised city has lagged behind in many areas over recent years. He vows Shanghai will catch up.

Just how it is doing this can be gauged by progress in telephone services, an area which in the past few years has come in for much criticism by foreigners trying to establish businesses.

Before liberation, Shanghai with 73,000 phones had more instruments than Hong Kong. But by 1980, this number had grown to only 93,000. Since then, there have been 20,000 more telephones installed annually and as of this year, the figure would rise to 70,000. By 1990, Shanghai would boast 500,000 to 600,000 telephones.

"At that speed, it should not take Shanghai long to catch up to Hong Kong," he reckoned.

Latest statistics show industrial development in May-June was up eight percent on the same period last year. Agricultural production in the six counties surrounding the city and which come under rule of city hall was up 10 percent.

Shanghai's municipal government basically had the freedom to act as a provincial authority. New powers give city planners the right to retain a much bigger slice of the revenue created by local industries. In turn, this influx of hard cash, which in the past had to be sent to Beijing, permits Mayor Zhu and his colleagues to spend on vital and badly needed facilities such as roads, bridges and the port.

In the past, Shanghai was permitted to retain only 23 percent of its revenues; the rest had to be sent to Beijing, leading to the complaint that Shanghai was supporting the rest of the country. Under new regulations, the city has to pay a fixed RMB10.5 billion to the Central Government and once this is done, it can keep the rest. Sources outside the city government tell me that this was originally figured as meaning Shanghai could retain about 30 percent of its income. But the way things have worked out this year, the entire RMB10.5 billion contribution for this fiscal January-December year will be paid to Beijing this month; all the rest of the money will be gravy used to spend on improving infrastructure.

Mayor Zhu will need every fen he can raise because his problems are formidable. Shanghai is so huge, much of its industrial base so outmoded, the old iron ricebowl work ethics so entrenched, that trying to get the city on the move requires immense effort. It is rather like a tadpole trying to tow an iceberg; it is difficult to get momentum going.

Under the present five-year plan, he hopes to get US\$3.2 billion in foreign hard-currency loans. In addition, he is eager for direct foreign investment, particularly from Hong Kong.

He repeated again that Hong Kong entrepreneurs should have more courage and confidence to invest in the city, and that he was optimistic they would do so.

The money will be used to drag Shanghai into the 21st century. Much architecture looks as though it was caught in a time warp, circa 1936, especially down the bund. But skyscrapers are rising; from the 39th floor bar at the new Hilton Hotel (built by a Hong Kong-based consortium) one can count no fewer than 26 building cranes on a day when the wind has dissipated the industrial haze.

Mayor Zhu's plans include ripping down some of the old low-rise homes that line many major streets to widen the roads, re-housing many hundreds of thousands of people and a significant number of factories in satellite settlements across the Huangpu in the suburbs of Pootang and building new bridges and tunnels to link the two banks.

But slicing through the burdensome red tape which deters foreigners from investing in the city is his major preoccupation.

He spoke with some heat of a major project which had been under negotiation for a year, a project beset with problems and areas of disagreement that appeared intractable. Then the new commission was set up. One meeting later, an agreement was signed.

Zhu's brisk, can-do attitude that shrugs off problems and seeks solutions that may be unorthodox instead of following established bureaucratic procedures is seen as a welcoming breeze in the stuffy corridors of Shanghai power.

"It's not just the winds of change, it's more like a typhoon," said one admiring foreign resident who has been watching appreciatively as Mayor Zhu briskly brushes out the cobwebs.

The problems he has inherited, as diplomats and veteran businessmen point out, are peculiarly Shanghaiese. Before World War II, the city was one of the great metropolises on earth, a glittering financial and industrial hub. Following the communist victory in 1949, much of the industry remained while many of the industrialists took ship down the coast to Hong Kong setting up our gigantic textile industry.

For most of the successive decades, Shanghai's industrial base slumbered in technical hibernation, the rest of the country was directed to send Shanghai plants raw materials and to accept the finished goods. City planners became complacent, management sluggish, workers lazy.

Its river port still made it one of the major gateways to China for the outside world. And as hotbed for the Cultural Revolution, politics took precedence over production.

So Shanghai came in for a very rude shock when the new economic policies of Deng Xiaoping encouraged 13 other coastal cities to reform and work in conjunction with the outside world. They did so eagerly, and in many ways left slumbering and complacent Shanghai well behind.

In the view of many observers in Shanghai, it is the job of Zhu Rongji to wake the city up. He has certainly done so, with considerable vigour.

"He's wrenching the place apart," is how one diplomat summed things up.

There is a new feeling of purpose in the air, and although Major Zhu concedes there is a very long way to go, he is determined that—one way or another—Shanghai is going to catch up.

One unpleasant scenario laid out by Zhu Watchers among the foreign community in Shanghai is that elderly diehards may attempt to quietly sabotage the new economic thrust and slow down the policies wedded to progress.

The new mayor is doubtless well aware of opposition among some of his comrades down at city hall and in the party hierarchy. But he has the will to succeed and the full backing of the central government in trying to pull the city back into the front rank of China's industrial and financial giants.

My betting is that he will make it.

Shanghai Mayor Seeks More Foreign Funds
OW3107145288 Beijing XINHUA in English
1042 GMT 31 Jul 88

[Text] Beijing, July 31 (XINHUA)—Mayor Zhu Rongji of Shanghai hopes to attract anywhere between 10 billion and 20 billion U.S. dollars of foreign investment by the end of the century, the English language CHINA DAILY reported today.

The city now has 340 foreign-funded enterprises, involving 1.9 billion U.S. dollars in direct foreign investment, said the paper, quoting Ye Longfei, executive vice-chairman of the one-month-old Shanghai Foreign Investment Commission (FICS).

Shanghai is now working hard to improve its infrastructure and raise efficiency to provide foreign investors with better investment conditions, said Ye.

FINANCE, BANKING

Foreign Exchange Transactions Increase *HK1507124788 Beijing CEI Database in English 15 Jul 88*

[Text] Beijing (CEI)—China's foreign exchange transactions totalled 1.718 billion U.S. dollars in foreign exchange trading centers in the first five months.

To date, foreign exchange trading centers have been set up in all provinces, municipalities, autonomous regions, special economic zones, some of coastal and big cities in the country. Prices of foreign currencies are decided by the market force of demand and supply or negotiated by the buyer and seller there. Foreign exchange can be traded between state-owned enterprises and foreign-funded enterprises, and foreign exchange funds may be adjusted throughout the country between different departments and areas.

Sources said, to solve the problem of the shortage in foreign exchange circulating funds needed for the development of export projects in coastal provinces and cities, the state will add a certain sum to the quota of local foreign exchange short-term commercial loans from abroad for some provinces and cities.

In addition, the state will conduct experiments of allocation of foreign exchange in cash in Hainan Province and Shenzhen City.

Jiangsu Residents' Foreign Currency Deposits Rise *HK2607122588 Beijing CEI Database in English 26 Jul 88*

[Text] Nanjing (CEI)—Residents' deposit of foreign currencies in Jiangsu Province in the Bank of China reached more than 20 million U.S. dollars during the first six months of this year.

By the end of June, the foreign currency deposit of the residents had increased 8.24 million U.S. dollars over the same period last year.

The currencies of their deposit are mostly U.S. dollars and Hong Kong dollars. The rest are Japanese Yen, British pounds, Deutsche marks and French francs.

The Bank of China handles its business in the form of current deposit, time deposit, and simultaneous current-time deposit. Meanwhile, it has raised its deposit interest rate of some currencies including the U.S. dollars.

Financial Statistics Work Called 'Indispensable'; Strengthening Urged

40060367 Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 5, 4 May 88 pp 11-14

[Article by Liu Hongru 0491 7703 0320: "To Effect Financial Macroscopic Regulation Properly, We Must Strengthen Financial Statistics Work"]

[Text] Financial statistics work is indispensable and basic to banking. Understanding trends in banking activity, correctly controlling monetary policy and tracking development of banking reform are inseparable from statistics, and the more banking functions develop, the more important financial statistics will become. Thus we must vigorously strengthen financial statistics work and give fuller play to the regulatory role of the central bank.

Correctly Understand Economic and Financial Conditions and Tasks, and Strengthen Statistical Monitoring

Financial statistics serve macroscopic decision-making. To perform statistical work properly, to enable statistics accurately to track and monitor things, and to make statistics an able "adviser" to leaders, we must root this work in the overall economic and financial picture.

The basic tasks of financial work this year are to continue implementing the central authorities' policies of stabilizing the economy and of advancing reform, to extend reform across the board, to control aggregate credit supply levels, to readjust funding mixes, to deepen banking reform and to support stable economic development. This National Statistical Work Conference, which was convened by the People's Bank to unify standards for monitoring credit-plan implementation, is a concrete step toward effecting these tasks.

On the whole, the economy is doing well and growing healthily. Industrial production continues to expand at a stable, high rate, rising by 18 percent in the last 2 months. The central authorities' policy of emphasizing agriculture has made progress, with agricultural inputs rising and supply of producer goods and materials for the spring plowing improved. Export trends are good, the state's foreign exchange reserves continue to rise, and monetary and credit situations are also good.

But we must also soberly recognize that it will very difficult to strictly hold monetary and credit levels within state-planned limits this year. First, the money supply has expanded faster than the economy over the past several years, so it will be impossible to alleviate inflationary pressure in the short term. Second, planned growth in the money supply for this year will be one-third less than last year's rate, but demand for credit continues to boom and exceeds bank lending capacity. Third, as plans are implemented, new needs for funds will arise. Thus although banks achieved considerable success last year in their effort to tighten credit, which

success was confirmed by central leaders, banks cannot slacken in these efforts. So we must prepare ourselves ideologically for a fund crunch and the difficulty of this work, conscientiously carry out the spirit of the National Bank-Branch Manager Conference, properly stress each type of work, truly and effectively implement concrete measures, accurately monitor plan implementation, and strive to keep credit growth within plan limits. This is an important task in statistical work.

Statistical Work Is the Foundation of Our Effort To Strengthen Financial Macroscopic Regulation

Tremendous change has occurred in the central bank's macroeconomic control functions, and the economic environment and regulatory measures are fundamentally different from those of the past. Banks used to be monolithic, but now a variety of financial institutions coexist. We used to resort to command planning to administer the economy, but now we work through the marketplace and employ a variety of monetary-policy tools. Regulation has changed from "one hand to two," which means that reliance on purely planned administration has given way to emphasis on indirect measures and planned regulation. Thus the central bank must keep abreast of all changes and developments in the macroscopic economy, stay on top of rapidly changing market conditions, and make timely readjustments in monetary policy. And these things depend, in turn, on sound, sensitive survey statistical work. Thus leaders of banks at all levels must gain a full understanding of statistical work so as to strengthen financial macroeconomic regulation. In approaching statistical work, we must vigorously emphasize four links—statistical aggregation, surveys, analysis and forecasting.

The basic task of statistical work is to fully and scientifically collect and summarize economic and financial data. Under present conditions, to do this work properly, we must not only summarize the operational statistics of existing banks but also keep pace with developments in financial reform and expand statistical service to new financial institutions and to the development of financial markets so that financial statistics truly become a data bank that accurately and fully tracks all financial activity throughout society.

Strengthening statistical survey work. To stay fully on top of changes in the economy, especially in markets, we cannot rely solely on reporting. For when markets arise, prices appear, and that brings about anticipatory behavior. The most important thing in studying economic change is analyzing economic behavior and expectations, which research enables us to understand economic change and market trends. And this information cannot be obtained through reporting but instead requires a variety of surveys, including key-point surveys, sample surveys, interview surveys and the like. The questionnaire survey of the capital resources of 425 industrial enterprises recently conducted by the main office of the central bank was a positive step in this direction, and

plans are afoot to extend this research to resident propensity to save and to interview surveys of consumer behavior and attitudes. To stay fully informed of economic change, we must employ a variety of approaches and aggressively extend survey work.

Strengthening statistical analysis. To evaluate economic performance, formulate correct economic policy and adopt appropriate economic measures, we must conduct scientific, quantitative and empirical analyses of the economy, which analyses must be grounded in statistical data. Last year, the Survey Statistics Department issued a number of analytical reports, including "An Analysis of Monetary Conditions over the Past Several Years," "The Relationship Between Money and Economic Growth" and the "Relationship Between Money and Prices," all of which were helpful to leaders in their study of monetary issues and employed reprocessed historical data. In raw form, statistical data are of little use to leaders in decision-making. Only by fully processing data can we improve statistical work. In carrying out statistical analysis, we must closely focus on the general tasks of financial work and get on top of major economic changes.

Strengthening statistical forecasting. Scientific forecasting is required if we are to formulate correct monetary policy and effectively regulate money and credit supplies. Forecasting, which differs from empirical estimation, is rooted in economic laws, which are revealed through analysis of secular data, and is closely related to statistical work, which enjoys much room for advancement in this area. Combining forecasting based on mathematical models and the data obtained through interview surveys will give us more accurate and reliable forecasts and enable us to avoid or reduce blindness and passivity in our work.

Statistics Work Must Effectively Serve Financial Macroscopic Decision-Making

At the Symposium To Meet the Challenges of the New Technological Revolution, held in September 1983, Comrade Zhao Ziyang stated that, to modernize, our country must first modernize its statistical work. And the modernization of financial statistics work, in turn, not only entails modernization of technical procedures but, even more importantly, requires that statistical work be synchronized with and meet the growing needs of reform. And this requires that we conscientiously respond to the call issued by Comrade Zhao in his "Report to the 13th National Congress of the CPC" for a liberation of thinking and a transformation of ideas. We must steadily expand the scope of statistical coverage, enrich our store of statistical information, perfect the statistical system and effectively serve macroscopic decision-making.

First, we must focus on macroeconomic analysis and stress basic statistical data. As macroeconomic data goes, financial statistics are relatively responsive, complete

and accurate. Aggregate social demand, for example, is hard to compute, but there is a definite proportionate relationship between bank-money supply and aggregate demand, so we can use bank-money data to get an instant reading on change in social purchasing-power demand. Moreover, bank data are derived from bank accounting records and are accurate and reliable. Therefore, financial statistics have a very important role to play in macroeconomic control. Financial statistics cadres must look at the role of statistics work from the perspective of the overall macroeconomic picture and develop a lofty sense of responsibility and intense pride.

Second, financial statistics work must serve plan-implementation monitoring and become an important tool in macroeconomic analysis. For a long time, the old economic administrative system, which evolved on top of the market economy, primarily employed administrative measures and command planning to manage finances, so in this system statistics served merely as a basis for plan evaluation. But due to economic restructuring since 1979, the socialist market economy has grown considerably, a socialist market system has begun to take shape, tremendous change has occurred in the range and channels of money circulation, financial tools have steadily increased and bank fund portfolios have undergone great change. Thus corresponding alterations have to be made in the way the central bank regulates and measures money and credit supplies, and the bank must use regulation of the money supply to effectively control aggregate social demand and thereby bring aggregate supply and demand into basic balance. Therefore, the bank's macroscopic financial regulation must shift from control of cash supply to "appropriate control, in accordance with the law of money circulation, of credit and money supplies." During the transition from the old to the new economic systems, the state's overall credit plans will continue to serve as an important means of regulating money and credit supplies. Thus financial statistics must, on the one hand, serve credit-plan administration and properly monitor money and credit supplies and, on the other, create a money-supply statistical system and generate more data on social fund flows. The latter area represents a new type of work. Therefore, to improve accounting and statistical systems, we must compile and process statistics not only for banks but also for other types of financial institutions, fund relending among enterprises, sale and transfer of negotiable securities, other financial market operations and both renminbi and foreign-currency credit. In short, we must establish a complete financial statistical system that facilitates financial reform and macroscopic regulation.

Data on international balance of payments are an important component of financial statistics. While strengthening foreign-exchange controls in the past several years, we created an international current-account statistical system, which we have steadily improved and perfected, and carried out a complete enumeration of foreign debt, obtaining full information on its size and distribution. As a variety of financial institutions come into being,

more units will become involved in foreign-exchange operations, so our statistical control over these operations must keep pace with their growth if we are to stay fully informed of our international balance of payment, foreign debt, and renminbi and foreign-currency credit levels.

Third, we must accelerate modernization of statistical procedures. To meet the needs associated with the central bank's financial decision-making, we must expand the range of financial statistics work, accelerate data transmission and keep data more up to date. As statistical work expands, our tasks will grow heavier, so we must expand our corps of statistical workers. But most importantly, we must stress modernization of statistical procedures, a matter that requires careful attention.

Computerization of banking operations has registered great progress over the past several years and has helped modernize bank management. Still, computer application remains a weak link, utilization rates are quite low, and we are not using the machines as effectively as we might. Thus banks at all levels must strengthen leadership and improve hardware and software use, vigorously stress applications work, keep computer applications up to date with advances in financial management and operations, and place special emphasis on development of statistical software, on eliminating the scene in which statistical personnel "work with an abacus in one hand and a pen in the other," and on laying the technological foundation for the establishment of a multitiered system of statistical reporting, so as to expand the range of data gathering.

Train and Develop a Corps of Financial Statistics Cadres Who Are Versed in Both Economics and Finance

Statistical personnel development requires emphasis on both ends of the spectrum—leaders and cadres.

Leaders of all levels of banks must stress statistical work and strengthen organizational leadership. Both in number and in quality, our personnel cannot meet the needs associated with the growth of financial operations. In the past, statistical work was primarily limited to aggregating credit and cash accounts, but now 7 banks are included in state credit planning, there are 561 trust and investment institutions and 1,615 urban credit cooperatives, and more new financial agencies are appearing every day. Moreover, 10-odd new statistical reports have been added, and responsibility for basic-level bank and specialized bank reporting, in particular, falls entirely to statistical workers. Yet everywhere there is a shortage of statistical cadres. Most provincial bank branches have only two or three such workers, prefectural and city branches have but one, and most county branches assign other staff to take on statistics work in addition to other duties. These cadres' work methods are backward, they lack opportunity to study, they have to work overtime on holidays and other days off, and their work is very hard.

Bank leaders should be attentive to conditions in statistical work, look into the work regularly and resolve the difficulties statistical cadres face in their work, study and lives. As operations expand, banks at all levels must appropriately strengthen statistical personnel development, increase staff and steadily improve the quality of their workers. To simplify these workers' jobs, specialized statistics reports should be completed by relevant specialized departments and not foisted on statistical personnel, and statistics departments must assume more responsibility for the management and coordination of statistical work and the compilation of statistical data. Organizationally, we should not insist on a complete division of labor, but this should be improved. And banks should strengthen the development of agencies specializing in analysis of survey statistics and in statistical forecasting.

Stress statistical worker training. To improve the quality of statistics personnel, the most important thing we must do is to emphasize training of statistical cadres. In addition to timely training courses run by the main office of the central bank, branch banks must devise their own training programs, tailor measures to suit their own needs, develop a variety of training courses, be attentive to the effectiveness of these programs and improve the quality thereof.

Statistical cadres must step up study of basic theory and of operations; be versed not only in bank statistics but also in economic statistics and pick up needed knowledge of financial management, financial markets and international finance; and strive to master statistics and all other necessary knowledge. We must strive to train and develop a corps of financial statistics cadres who are versed in statistics, finance and economics.

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Problems of Managing Capital-Construction Funds

40060365 Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 5, 4 May 88 pp 30-31

[Article by Li Xiwen 6786 6932 2429, Chinese People's Construction Bank: "Problems in Shifting from Allocation to Loan Funding Once the Central Capital-Construction Fund System Is Implemented"]

[Text] A major reform slated for the capital-construction investment system in 1988 is the establishment of the central capital-construction funding system. Since the central capital-construction fund system will evolve out of the current transitional system, in which we are shifting from allocation to loan funding, the two systems will be linked yet different. This article will explore the problem of how to complete the shift from allocation to loan funding once the central capital-construction funding system is put into place, and I hope that the effort will prove helpful to the implementation of the central capital construction funding system.

Elements and Features of the Central Capital Construction Funding System

The central capital-construction funding system will take the moneys allocated by the state each year for central capital-construction investment, make these funds independent of regular state budgetary expenditures and, at certain lengths of time and in accordance with state-approved base funding figures, allocate these moneys to construction banks and investment companies, which will use the funds to grant loans, managing, distributing and overseeing use thereof. By recycling, regulating and expanding the CCCF, the system will accumulate more and more funds for key state construction projects. At present, the CCCF consists of two types of funds. The first includes several types of state-budgeted expenditures related to capital construction, such as the moneys the state amasses for key energy and transport development projects, the principal and interest payments received under the new loan system for capital construction, and the like. These moneys comprise the major part of the CCCF, and the shortfall between them and the CCCF base figures approved by the state is defrayed through budgetary subsidy. The second type of fund consists of money raised through issuance of special capital-construction bonds by state investment firms to specialized banks and other financial institutions. After raising these moneys, the state allocates them to construction banks for administration and distribution according to plan.

As for the features of the central capital-construction funding system, first, it will be independent, and the central capital-construction fund will be stable and reliable and, in principle, will not be affected by current budgetary surplus-deficit conditions. Second, the system will recycle its funds, which will not return to the budgetary process but rather be reused and grow by themselves as they are employed to expand reproduction. Third, the system will entail risk for enterprises, for if firms use the funds improperly—running losses, for example—they must balance things out themselves and will not be compensated by the government. Fourth, the system will grow and develop. The state will add new funds each year to the point that we can finance all new loans out of repayment of old loans so that we can depend entirely on recycling and no longer require government allocation. These features are not possible in the current system.

How To Make the Shift From Allocation to Loan Funding

In the absence of a mature mechanism with which to expand circulation of the central capital-construction fund, we should go ahead and make the shift from allocation to loan funding now. Such a move by no means implies wholesale repudiation of the current, mixed "allocation-loan" system, but the move should not replicate the current system, either. To differentiate the proposed system from the current one, let us just call

it the "fund loan system". This system should bear some of the characteristics of both the allocation and the bank-credit funding systems.

1. The System Should Be Rooted in the Word "Loans."

The current transitional system, which has been in existence for more than 8 years, has failed to "get moving" (because it does not receive the lion's share of budgeted investment) and to "cut loose" (from its links with the allocation system), which failings are due to the persistent effects of the allocation system. Thus we must underscore the word "loans" in the fund loan system, completely sever the connection between this form of funding and uncompensated allocation, and ensure that projects funded through the fund loan system are never allowed to revert to allocation, exempted from repayment of loan principal, or allowed to write loans off. To strengthen the economic restraints on this funding, we must distinguish nonoperational, nonprofit projects from operational projects. The former should not be included in the fund loan system and should continue to be funded through allocation, whereas we must ensure that all operational projects employ fund-loans and that the funds increase and do not diminish in value as they are used. Thus the fund loan system must be incorporated into the marketplace in a step-by-step fashion, give some of the decision-making power and approval authority vis-a-vis funding to construction banks that manage the funds, and have the latter work with investment companies to select projects through bidding, so as to integrate responsibility, authority, interests and risk. Once projects funded through the fund loan system begin to turn profits, the principal should be returned to the state's fund pool, and a certain share of the interest earnings on the loans may be retained by construction banks to use to expand their own credit funds. But if such projects fail and show losses, the banks must make up the resulting loss out of their own funds, so as to ensure that the state's fund remains intact and can continue to grow.

2. Properly Control the Direction in Which Investment Is Made, and Diversify Operations. To date, more than 80 percent of "allocation-loan" investment budgeted by the state has been devoted to the energy, transport, raw-material and other basic industries and infrastructural sectors. It is certainly correct to focus investment in these areas, which play a key role in the development of our entire national economy. But to concentrate and to use our limited funds effectively, we must eschew the practice of divvying up "allocation-loan" investment by sector and region, otherwise it will be hard to eradicate the dependency relationship that has developed in the area of finance between planning departments and supervising agencies or units. Once the central capital-construction funding system and specialized investment companies are established, the latter must not be allowed to grow into overbloated bureaucracies but rather should truly manage themselves and bear full responsibility for their profits and losses; bear full authority and responsibility for deciding whether or not to underwrite projects

funded by the state, when they will undertake such projects, and the scope of their involvement therein; and be independent of, yet closely tied to, construction banks—neither entity should boss the other around, but the two entities may establish contractual or subcontractual relationships. As stated above, once construction banks undertake full responsibility (via contract) for managing state loan funds, they may subcontract at low interest control of these funds over to investment companies, which may lend the funds at appropriately higher rates to, or use the funds to take equity stakes in, construction projects. When these companies are repaid for the loans or receive a share of the product, profit, foreign-exchange earnings or other returns, banks may exact repayment of the loans extended to the companies. Of course, this is not the only way the funds may be used. For example, some of the funds (10-15 percent) may be managed directly by the banks, which may use the funds for projects in which a small return is assured to induce other investors (of any system of ownership) to use their own funds to invest in sectors (or projects) that the nation urgently needs to develop. Or a small amount of the funds can be used to defray discount interest and the like so as to guide bank lending or to raise capital from the community (for instance, by selling bonds) for investment in key national development projects. Only when funds are managed in a variety of ways can we change the rigidity, unresponsiveness and inefficiency in which they are used under the "allocation-loan" system.

While state funds must be used primarily for key projects, the funds should not be restricted entirely to such projects. We should use some of the funds to invest in short-term projects yielding fast, good returns and employ some of the earnings derived from them to defray the policy-induced losses of key projects. And even in the case of key projects, we must not distribute funds in an egalitarian fashion. To achieve these goals—using short-term projects to help fund long-term ones, using small projects to support big ones, and using profits to cover losses, we must devote no less than 40 percent of the funds to projects yielding good returns and that are designated for funding in state plans. In this way, we can thoroughly eliminate the prevailing preference for "bones" over "flesh" in "allocation-loan" investment distribution (that is, giving such investment to projects that cannot repay loans).

3. Readjust "Allocation-Loan" Interest Rates Without Delay. With prices rising and interest rates on bank deposits and loans being readjusted every year, holding "allocation-loan" interest rates the same year in and year out renders this funding out of step with economic change. Thus we must promptly readjust interest rate scales and standards for these funds. As for scales, the existing system provides for only four different rates, which are set by economic sector and do not take into account the effect on actual fund value of the length of time funds are used—a major shortcoming. We might consider setting a term limit of 10 years for fund loans and increasing interest rates on loans for periods in

excess of 10 years by one or two grades (each grade being equal to an annual rate of 0.72 percent) above the standard levels for each sector. As to interest rates, the current rate on annual loans extended by the central bank to specialized banks is 7.2 percent (the monthly rate is 0.6 percent), and the differentiated preferential rates granted by specialized banks for key energy, transport and raw-material projects range from 5.76 percent (for terms of less than 5 years) to 7.2 percent (for 10 years or more). Rates on capital-market relending also run about 7.2 percent a year. fund loan system funds come primarily from state revenues, so interest rates on it naturally cannot be forced into line with those on bank credit or in capital markets. But I believe that the highest state-loan interest rate (which still should be fixed by sector) can be set at the lowest differentiated preferential rate granted by banks (7.76 percent). This would restrain blind investment by enterprises; improve the competitiveness of fund loan system loans in the credit system, which is growing ever stronger; and reduce the natural losses stemming from the depreciation of loan funds amidst secular inflation. In the future, when adjusting interest rates in a unified fashion, the state must carefully and in an overall way look at rates on fund loan system and other fixed-capital loans, raise the rates that should be raised, lower the ones that should be lowered and abandon the practice of keeping rates the same year after year, so that the law of value can spontaneously play its regulatory role in the broad realm of the market economy.

12431

Banks Strengthen Ties With Foreign Counterparts
HK2507140188 Beijing CEI Database
in English 25 Jul 88

[Text] Beijing (CEI)—Chinese banks are strengthening their ties with international financial institutions to help the country's modernization, according to July 24's PEOPLE'S DAILY.

In addition to the bank of international settlement, a central financial organization for the world's bankers in Basil, and the U.S. federal reserve bank in New York, Chinese banks have established or improved relations with the World Bank and the International Monetary Fund in Washington, the Manila-based Asian Development Bank, the Abidjan-based African Development Bank, and many foreign central banks.

In the first six months of this year, the People's Bank of China, as China's central bank, invited representatives from the Central Bank of Ecuador to visit China. This bank is the first central bank in Latin America to visit China.

The total amount borrowed last year from the Asian Development Bank was 133 million U.S. dollars, most of it used for the technological upgrading of enterprises

through the investment Bank of China. The rest of the loans are being used in energy projects managed by China's Huaneng Power Generation Corporation.

More foreign banks have set up offices in China in the past few years. Some have established branches in the coastal cities, in accordance with the decision made at the recent annual meeting of branch presidents of the People's Bank in Beijing to gradually let foreign banks into China.

With the fast growing ties with foreign banks, Chinese banks have developed in the past years. Total banks deposits more than doubled in the past nine years to reach 602 billion yuan. At the same time, the banks extended loans worth 750 billion yuan.

Mission of China Industrial, Commercial Bank
40060391 Hong Kong JINGJI YU FALU [ECONOMY
AND LAW] in Chinese No 19, Jun 88 pp 54-55

[Article by Zhang Xiao 1728 5135, president of the Industrial and Commercial Bank of China: "The Reforming and Developing Industrial and Commercial Bank of China"]

[Text] The Industrial and Commercial Bank of China was founded on 1 January 1984 in Beijing, specializing mainly in urban and rural savings deposits and industrial and commercial credit services which were originally handled by the People's Bank of China.

The basic task of the Industrial and Commercial Bank of China is to vigorously collect, through various business operations, idle funds in society according to national principles, policies, and laws and use them to support industrial production, expand commodity circulation, accelerate the development of the tertiary industry, promote scientific and technological (S&T) progress and enterprise technological reform; to exercise the bank's role in regulating and circulating funds in economic construction; and to render better service for the reform of China's economic structure and the sustained, steady, and coordinated development of the national economy.

The renminbi businesses handled by the Industrial and Commercial Bank of China include: 1) handling the savings deposits of rural and urban residents and the business deposits of industrial and commercial enterprises and handling, on behalf of the People's Bank of China, deposits made by organs, groups, schools, and other units; 2) granting working capital loans for state industrial and commercial enterprises, rural and urban collective enterprises, and individual industrial and commercial businesses; 3) granting loans for the technological transformation and network installation of industrial and commercial enterprises and for some capital construction projects; 4) granting loans for S&T development; 5) offering trust services such as acting as trustees, agents, making investments, managing leases,

and providing information; 6) handling account transfers and cash account settlements; and 7) conducting economic investigation, offering economic information, and handling other businesses entrusted by the People's Bank of China.

With the approval of the State Foreign Exchange Control Bureau, the Industrial and Commercial Bank of China has begun to offer foreign exchange services, such as handling foreign exchange deposits, loans, and remittance, settling export and import accounts, handling bills of exchange, offering foreign exchange guarantees, converting foreign currencies and foreign exchange notes on a commissioned basis; offering foreign exchange trust and leasing services, acting as an agent, and carrying out credit investigations, through branch offices in the following provinces and municipalities: Guangdong, Shenzhen, Zhuhai, Foshan, Shantou, Guangzhou, Fuzhou, Shanghai, Xiamen, Tianjin, Qingdao, Sichuan, Chongqing, Hangzhou, and the Hainan island.

The Industrial and Commercial Bank of China is a specialized urban bank as well as a state bank of a fairly large scale in China. It has over 24,000 affiliates in cities and towns across the country, 440,000 employees, over 3 million loan accounts with industrial and commercial enterprises, and 350 million savings deposit accounts with urban residents. As of the end of 1987, the bank's assets were worth over 450 billion yuan.

Since its founding, the Industrial and Commercial Bank of China has considered developing economy, promoting reforms, and increasing economic returns as its goals and followed the road of "open style, multiple means and fields, and high efficiency." As a result, it has continuously developed and expanded its businesses in the process of reform and opening up to the outside world.

1. Vigorously Absorb Deposits To Increase Financial Power

The Industrial and Commercial Bank of China has vigorously promoted people's savings deposits and collected funds through various means to increase self-sufficiency in funds. Adhering to the principle of "giving first priority to deposits, savings account holders, service, and reputation," the bank has vigorously explored the new types and fields of deposit services while expanding traditional savings deposit service. In the past few years, it has added the following new services to savings accounts: fixed-or-current accounts, commissioned pension distribution, direct wage deposits, current checks, and credit cards. At the same time, it has increased the number of savings banks, vigorously promoted the practice of jointly managing savings banks with enterprises and the practice of entrusting enterprises and other establishments to run savings banks on their own, thus playing a positive role in increasing savings deposits and providing convenience for the daily life of the masses. At the end of 1987, the balance of

urban residents' savings deposits was over 150 billion yuan, 2.3 times as much as in the initial period of the bank's founding and an average increase of 30 per cent annually; the balance of all deposits absorbed by the bank broke the record of 300 billion yuan, a 1.5-fold increase over the initial period of the bank's founding. Since 1985, the Industrial and Commercial Bank of China has issued a total of 5.3 billion yuan in different types of bonds. The degree of self-sufficiency in credit funds has increased from 60 percent in 1984 to 72 percent. Due to the substantial increase of deposits and great financial power, the industrial and commercial bank has made positive contributions to supporting the cause of socialist modernization.

2. Readjust Credit Orientation, Improve Loan Structure, and Strive To Satisfy the Reasonable Financial Needs of Industrial Production and Commodity Circulation

While conscientiously absorbing deposits, the industrial and commercial bank has strived to satisfy the reasonable financial needs of industrial and commercial enterprises in strict accordance with the credit principle of "dealing with each case on its merits and giving support on a selective basis." In the 4 years after its founding, the industrial and commercial bank granted over 3,400 billion yuan in different types of loans, averaging 850 billion yuan a year. By the end of 1987, the balance of loans issued by the industrial and commercial bank to support production, circulation, and technological transformation amounted to over 430 billion yuan, almost double that of the initial period of the bank's founding.

China is a developing country in the initial stage of socialism where great disparity exists between monetary supply and demand, regional developments are uneven, industrial structure and product mix are not totally rational, and the utilization rate and returns on funds are low. Under the leadership of the State Council and the Central Bank, the industrial and commercial bank has striven to exercise the regulatory function of the credit lever and readjust loan orientation to help improve industrial structure and product mix. In accordance with the overall plan for national economic development and reform, the industrial and commercial bank has given priority to supporting the energy, communications, basic industries, light and textile industries related to multiple processing, equipment manufacturing for major construction projects, energy conservation, and export-oriented machine-building and electronics industries, especially large and medium-sized backbone enterprises and corporations involved in horizontal economic coordination in the above industries. As far as products are concerned, the industrial and commercial bank has given priority to supporting the production and procurement of good-quality, popular-brand, marketable, and export-oriented goods as well as goods that are vital to the national economy and the people's livelihood. According to statistics, loans issued by the industrial and

commercial bank to support good-quality, popular-brand, and export-oriented products showed an increase of 18 billion yuan in 1987, equivalent to about 50 percent of the increase in the total amount of loans issued in 1987.

With regard to the issuance of credit, the industrial and commercial bank has adhered to the credit principle of "dealing with each case on its merits and giving support on a selective basis" and strived to increase the use efficiency of credit funds. According to basic policies for national economic development, the bank has taken into consideration the administrative and managerial situation, economic performance, asset and debt structure, and development tendency of enterprises in approving credit lines and selecting credit policies, which include vigorous support, moderate support, and tight control, for enterprises, thus improving credit structure and increasing the use efficiency of loans.

3. Vigorously Carry Out Reform and Expand the Field of Operation To Suit the Needs of the Reform of Urban Economic Structure

A. Offer technological transformation loans to promote enterprise renovation and transformation and expand production capacity. In order to speed up the technological transformation and progress of enterprises and expand reproduction based on intensive growth, the industrial and commercial bank has begun to offer and use technological transformation loans to support the technological transformation, equipment replacement, and technology transfer of light and textile, machine-building, electronics, communications, energy, and raw material industries, thus improving the economic returns of enterprises. In the past 4 years, the industrial and commercial bank has issued a total of 50.4 billion yuan in technological transformation loans for over 36,000 projects across the country. These projects have created 180 billion yuan in output value and over 56 billion yuan in taxes and profit delivery. On the average, 1 yuan of loan has created 3.56 yuan in output value and 1.12 yuan in taxes and profit delivery.

B. Offer S&T loans to help S&T achievements change as soon as possible into productive forces. Since 1985, the industrial and commercial bank has offered S&T development and trust loans to vigorously support the integration of production and scientific research, the trial-production and development of new products, technology, technique, and materials, technological development projects, the "spark plan," the popularization and application of computers, and military-to-civilian technological transfer and development projects. By the end of 1987, the industrial and commercial bank had issued over 3 billion yuan of loans for over 8,000 S&T development projects, of which, some 2,600 projects have been put into operation. The input-output ratio of S&T development loans has been 1 to 3.7 and each yuan of loan has created over 1 yuan of taxes and profit delivery.

C. Open money market to carry out horizontal circulation of funds. To suit the reform of economic structure and the development of horizontal economy, the industrial and commercial bank began in 1985 to handle commercial bill acceptance and discounting services and has established a nation-wide, inter-bank, trans-regional lending and borrowing system based on central cities, using the temporal and spatial differences of funds to increase the utilization rate of funds. In 1987, branch offices of the industrial and commercial bank at different levels lent and borrowed over 40 billion yuan in short-term funds through the horizontal monetary circulation system and accepted and discounted nearly 30 billion yuan of commercial bills, which played a positive role in supporting and vitalizing the economy.

D. Offer new account settlement services to speed up the circulation of social funds. In view of the problems of China's banks such as the outdated form and the backward means of account settlement and the slow circulation of social funds, the industrial and commercial bank began in October 1986 to expand the scope of local bill exchange and check usage and started five new account settlement services, which include direct electronic fund transfer and non-negotiable money order, in the following 13 cities: Beijing, Shanghai, Tianjin, Wuhan, Guangzhou, Xian, Chongqing, Shenyang, Dalian, Harbin, Changchun, Nanjing, and Chengdu. These services have provided conveniences for many clients, sped up the circulation of social funds, and reduced cash circulation. They are appreciated by clients. In 1988, direct electronic fund transfer and non-negotiable money order services will be extended to over 300 cities and county seats where commodity economy is better developed throughout the country to better meet the demand of the development of commodity circulation.

In addition, as the reform of economic structure deepened in the past few years, the industrial and commercial bank also handled on a trial basis mortgage and secured loans, stock exchanges, credit cards, trust investment, information, housing development, and other new businesses.

4. Speed Up Computer Development and Application To Strive To Provide Good Service for Clients

In order to promote business and provide good service for clients, the industrial and commercial bank has concentrated on the development and application of computers in strict accordance with the principle of employing both large and medium-sized computers and microcomputers. As of today, the first group of equipment—20 sets of large and medium-sized computer systems—imported and installed by nine municipal branches, has been put into operation and begun serving the public; the second group of equipment imported by the computer centers of five branches has been basically installed and will be operable in 1988. The industrial and commercial bank now has over 4,100 microcomputers in operation in over 1,700 branches and savings banks and

is developing toward multiple users and the establishment of a local microcomputer network. The microcomputer network of municipal branches across the country is now taking shape. The headquarter and provincial and municipal branches of the industrial and commercial bank are now using microcomputers in credit, trust, and information businesses, in statistics, labor, wage, and personnel management, and in office automation.

5. Improve Friendly Contacts With Foreign Financial Organizations and Develop International Financial Business

To suit the demand of opening up, the industrial and commercial bank has vigorously expanded foreign exchange business and striven to provide many industrial and commercial enterprises with services that integrate both renminbi and foreign exchange businesses. According to preliminary statistics, by the end of 1987, affiliates of the industrial and commercial bank in the Guangdong area alone had absorbed over \$100 million of foreign exchange deposits from individuals and enterprises and issued nearly \$80 million of loans.

In June 1985, the Industrial and Commercial bank of China joined the International Association of Savings Banks and became a regular member of the association. The industrial and commercial bank now functions as agents for over 260 headquarters and branches of over 60 foreign banks (including Chinese-funded banking groups in Hong Kong and Macao) in over 20 countries and areas. It has also signed business cooperation agreements with 36 foreign banks of 13 countries. This is of great significance in strengthening the extensive ties and business contacts between the industrial and commercial bank and international financial circles, in studying and borrowing advanced financial management experience of foreign countries, and in upgrading the status and influence of the industrial and commercial bank in international financial circles.

To do a better job in absorbing foreign capital to support state economic construction, the Industrial and Commercial Bank of China has participated in establishing China's first bank in the form of a joint venture using both Chinese and foreign investment—the Xiamen International Bank—and joined investment with many foreign banks and leasing companies to establish the China International Nonferrous Metal Leasing Ltd., the Pacific Leasing Ltd., and the United Leasing Ltd.. As China's economic reform deepens and more areas open up, the Industrial and Commercial Bank of China will have closer and more frequent contacts and cooperations with international economic and financial circles.

In the past few years, the Industrial and Commercial Bank of China has had support and assistance from friends in international economic and financial circles. On behalf of the Industrial and Commercial Bank of

China, I would like to take this opportunity to thank these friends from the bottom of my heart and wish that this good cooperative relation will improve and develop in the future.

12302

Bank of China Extends Loans to Industries

Oil, Power Development Projects
OW0707092788 Beijing XINHUA in English
0646 GMT 7 Jul 88

[Text] Beijing, July 7 (XINHUA)—The Bank of China has loaned nearly 10 billion U.S. dollars to build up the nation's energy, shipping and transportation industries, PEOPLE'S DAILY reported today.

The loans have supported more than 100 oil and power development projects and have opened eight oilfields with a combined annual production capacity of 70 billion bbls of crude oil, one tenth of the country's total.

They have also helped build the huge Antaibao open pit coal mine at Pingshuo in Shanxi Province. The mine is China's largest Sino-American joint venture.

The country has also used the bank loans to purchase or lease 48 passenger planes and buy a number of ocean-going ships.

Ethylene Plants
OW1307131888 Beijing XINHUA in English
1037 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—The Bank of China (BOC) has decided to provide a loan of 200 million U.S. dollars to the China Petrochemical Corporation (CPCC), the largest economic entity in the country.

The loan will be used for the continued construction in 1978 of two ethylene plants, each with an annual capacity of 300,000 tons—one in Jiangsu Province and the other in Shandong Province. The loan will be for a term of eight years.

Ethylene is in short supply in China and the country has had to import large amounts from abroad. BOC has already provided sizable foreign currency loans for the first phase of the construction of three ethylene plants in recent years, which helped double China's ethylene output.

Cooperation between BOC and CPCC has been going well since the bank began to render assistance to large key state projects several years ago, a BOC spokesman said.

Besides the three ethylene projects, the bank also provided large foreign currency loans to the Beijing Yanshan Petrochemical Corporation and The linyuan oil refinery.

MINERAL RESOURCES

State Council Urges Boosting Gold Production OW28071823-3 Beijing XINHUA in English 0620 GMT 28 Jul 88

[Text] Beijing, July 28 (XINHUA)—China, now the world's sixth or seventh largest gold producer, plans to double its gold output in five years.

Bai Meiqing, deputy secretary general of the state council, was quoted by today's "financial news" as calling for increased bank loans to gold production and geological prospecting for gold reserves.

Bai was speaking at a recent meeting of state banks on aiding gold mining.

He also called for improving the purchase of gold and other precious metals. In China, the purchase and sales of gold are monopolized by the government.

INDUSTRY

Industrial Production in Major Cities During June OW0707134688 Beijing XINHUA in English 0714 GMT 7 Jul 88

[Text] Beijing, July 7 (XINHUA)—Following is the June industrial production figures in nine cities which enjoy the status of a province in terms of planning:

Names of cities	Shenyang	Dalian	Harbin
Output value (100 million yuan)	97.39	69.95	60.78
Rise percentage over last June	9.6	13.5	16.2
Cloth (100 million meter)	0.35	0.87	0.51
Coal (10,000 ton)		246.91	2.18
Power output (100 million kwh)	3.56	11.07	20.68
Steel (10,000 ton)	19.07	23.08	3.05
Chemical fertilizers (10,000 ton)	0.75	6.07	0.24
Cement (10,000 ton)	16.73	120.65	94.11
Cities	Ningbo	Qingdao	Wuhan
Output value (100 million yuan)	70.1	75.17	96.01
Rise percentage over last June	22.4	22.20	12.4
Cloth (100 million meter)	0.91	1.86	2.18
Power output (100 million kwh)	18.72	14.71	17.08
Steel (10,000 ton)	1.60	26.79	241.52
Chemical fertilizers (10,000 ton)	11.26	5.04	3.94
Cement (10,000 ton)	18.16	64.15	55.43
Cities	Guangzhou	Chongqing	Xian
Output value (100 million yuan)	111.29	86.53	50.31
Rise percentage over last June	18.90	20.30	12.40
Cloth (100 million meter)	0.53	1.39	1.43
Coal (10,000 ton)		8.12	850.33
Power output (100 million kwh)	28.03	32.13	10.37
Steel (10,000 ton)	22.54	54.24	12.59
Chemical fertilizers (10,000 ton)	12.05	5.93	2.15
Cement (10,000 ton)	123.20	97.94	15.39

Regional Industrial Production in June OW0707133888 Beijing XINHUA in English 0823 GMT 7 Jul 88

[Text] Beijing, July 7 (XINHUA)—Following is the regional industrial production figures in June released by the State Statistics Bureau here today:

Region	Output value	Unit: 100 million yuan Rise percentage over last June
National total	1092.74	17.7
Beijing	38.03	17.1
Tianjin	31.39	9.1

Region	Output value	Unit: 100 million yuan Rise percentage over last June
Hebei	41.98	14.7
Shanxi	23.40	13.5
Inner Mongolia	12.12	16.0
Liaoning	78.88	11.2
Jilin	29.17	13.2
Heilongjiang	42.08	6.6
Shanghai	87.51	7.8
Jiangsu	131.33	24.5
Zhejiang	66.03	19.3
Anhui	29.98	18.9

Unit: 100 million yuan			Unit: 100 million yuan		
Region	Output value	Rise percentage over last June	Region	Output value	Rise percentage over last June
Fujian	21.24	28.7	Sichuan	59.72	16.3
Jiangxi	22.12	19.8	Guizhou	9.60	12.9
Shandong	79.38	30.9	Yunnan	12.86	8.2
Henan	37.60	19.6	Tibet	0.17	0
Hubei	57.20	19.0	Shaanxi	22.28	12.1
Hunan	37.38	12.6	Gansu	14.83	13.6
Guangdong	75.60	34.6	Qinghai	2.69	17.0
Guangxi	14.54	7.8	Ningxia	3.07	22.3
Hainan	1.57	22.7	Xinjiang	8.99	16.6

Output of Industrial Products Released

HK1107131588 Beijing CEI Database in English 11 Jul 88

[Text] Beijing (CEI)—Following is a chart showing the output volumes of main industrial products in June 1988, released by the State Statistic Bureau.

Item	Unit	1-6/88	6/88	Percentage over 6/87
bicycle	10,000	1984.28	341.06	-1.1
sewing machine	10,000 sets	477.93	87.90	-2.4
watch	10,000	2746.50	512.00	-14.9
tv set	10,000 sets	1072.94	205.96	23.3
color tv	10,000 sets	406.13	88.30	40.7
radio	10,000 sets	794.17	121.72	-6.2
tape recorder	10,000 sets	1015.61	179.62	4.9
washing machine	10,000 sets	495.41	89.77	-7.7
camera	10,000 sets	126.38	23.09	27.7
fan	10,000 sets	2268.04	498.22	11.0
refrigerator	10,000 sets	311.44	62.06	86.0
chemical fibre	10,000 sets	64.39	9.73	7.3
yarn	10,000 sets	227.86	39.70	9.0
cloth	100 million meters	86.96	15.69	7.5
silk	10,000 tons	2.30	0.36	-4.2
silk fabric	100 million meters	7.54	1.35	1.2
woollen fabric	1 million meters	130.62	23.64	5.0
knitting wool	10,000 tons	9.72	1.79	13.4
sugar	10,000 tons	314.29	0.69	-17.6
salt	10,000 tons	1170.60	388.20	30.6
cigarette	10,000 cases	1482.10	235.30	8.4
machine-made and kraft paper	10,000 tons	536.10	96.51	10.3
newsprint	10,000 tons	12.92	1.93	-31.5
anastatic printing paper	10,000 tons	36.09	6.30	8.1
synthetic detergent	10,000 tons	63.41	12.34	3.1
bulb	100 million	9.16	1.55	8.0
gasoline	10,000 tons	907.10	155.10	3.4
kerosene	10,000 tons	198.30	35.00	-6.3
iron ore	10,000 tons	7669.50	1347.00	4.0
pig iron	10,000 tons	2828.50	463.70	7.4
steel	10,000 tons	3000.20	494.80	10.2
rolled steel	10,000 tons	2373.68	403.32	9.8
wire rod	10,000 tons	394.10	65.69	19.6
steel plate	10,000 tons	294.42	50.05	3.0
coke	10,000 tons	2344.87	389.75	6.9
sulphuric acid	10,000 tons	553.56	90.95	19.2

Item	Unit	1-6/88	6/88	Percentage over 6/87
sodium carbonate	10,000 tons	128.87	20.85	9.8
caustic soda	10,000 tons	146.55	24.95	9.5
ethylene	10,000 tons	62.57	9.61	38.9
purified benzene	10,000 tons	28.60	4.19	19.4
synthetic ammonia	10,000 tons	1010.06	163.68	5.5
fertilizer	10,000 tons	916.85	150.85	9.6
nitrogenous fertilizer	10,000 tons	706.38	114.06	5.7
phosphoric fertilizer	10,000 tons	207.72	35.94	26.0
chemical pesticide	10,000 tons	10.70	1.96	31.4
pharmaceuticals	10,000 tons	9.55	1.72	33.0
tyre	10,000 tons	1430.61	271.13	19.6
synthetic rubber	10,000 tons	13.80	2.28	21.3
plastic	10,000 tons	78.45	12.43	2.0
timber	1 million cubic meters	25.91	3.05	-8.3
artificial board	10,000 cubic meters	130.32	25.76	21.8
cement	10,000 tons	9598.50	1869.20	13.4
plate glass	10,000 cases	3383.25	574.99	28.4
power equipment	10,000 kw	453.91	143.40	-1.1
machine tool	10,000 sets	8.80	1.77	19.2
precision machine tool	set	624.00	154.00	8.9
large machine tool	set	2449.00	470.00	25.3
automobile	10,000	30.37	5.82	39.0
truck	10,000	19.94	3.73	32.8
tractor	10,000	2.91	0.46	4.7
small tractor	10,000	72.54	11.79	26.5
locomotive	set	423.00	74.00	-6.4
passenger car	set	1002.00	173.00	19.7
freight car	1,000 sets	11.62	2.17	5.4
internal combustion engine	10,000 h.p.	2728.70	502.90	30.0
civil steel ship	10,000 tons	47.74	10.20	-20.0
computer	set	114.00	20.00	65.2
calculator	10,000 sets	177.73	35.58	47.0

Inner Mongolia Industry

SK2707130988 Hohhot Inner Mongolia Regional
Service in Mandarin 1030 GMT 17 Jul 88

[Excerpt] In the first half of this year, the labor productivity of industrial enterprises in Inner Mongolia Autonomous Region went up by 8.77 percent. From January to June, the productivity of wholly people-owned industrial enterprises which exercise independent accounting throughout the region amounted to 5,196 yuan per capita, 410 yuan more than in the corresponding period last year. Meanwhile, the total output value fulfilled by industrial enterprises amounted to 4,721,890,000 yuan, 463,970,000 yuan more than in the corresponding period last year, or an increase of 10.9 percent.

FOREIGN TRADE, INVESTMENT

Zhu Rongji Addresses Sino-U.S. Joint Trade Session
40060395b Shanghai JIEFANG RIBAO in Chinese
21 Jun 88 p 1

[Article by Beijing resident reporter Di Jiangrong 3695
1696 2837: "Zhu Rongji Addresses U.S. Joint Trade

Session: Shanghai Welcomes American Entrepreneurs' Investments and Partnership—Shanghai Sees New Improvements in the Investment Climate"]

[Text] Beijing, 20 June special dispatch—Today, at the opening of the Sino-U.S. joint session on industries, trade, and economic development, Shanghai's Mayor Zhu Rongji said that in recent years, Shanghai has continued to improve the intangible investment conditions, and it warmly welcomes U.S. entrepreneurs, bankers, and anybody who is interested in any form of investment or partnership.

Mayor Zhu said that since China adopted the policy to open up to the outside world, Shanghai's foreign economic cooperation and trade have continued to develop. Up to now, Shanghai has established trade relations with more than 160 countries and regions worldwide, and has brought in capital from 19 foreign countries and regions, and the U.S. has fast become Shanghai's major trade partner and largest investor. In 1987, of Shanghai's \$4.16 billion total exports, \$517 million, or 12.4 percent, were to the U.S., and among the \$1.801 billion imports, \$154 million, or 8.6 percent, were from the U.S. In

recent years, the development of Shanghai's trade with the U.S. has accelerated. Exports to the U.S. have grown 15 percent between 1986 and 1987, and imports have increased 9.3 percent.

Shanghai's absorption of U.S. investments has made progress too. During the first quarter of this year, Shanghai has approved 307 projects which are directly funded by foreign investors, and has absorbed \$1.874 billion in foreign funds. Among these projects, 47 are U.S. funded; they are worth \$556 million, and they comprise 29.64 percent of all foreign funds absorbed by Shanghai.

Mayor Zhu spoke highly of the U.S. funded enterprises in Shanghai, and noted their three characteristics:

1. U.S. investments tend to be industry-oriented. In fact, 80.9 percent of the enterprises are industry-type enterprises. The products include essence, pharmaceuticals, automatic meters, micro-apparatus, software, offshore oil drilling equipment, railway signal apparatus, airplanes, and scores of other products.

2. They tend to be more technologically advanced. 31 of Shanghai's foreign funded enterprises are deemed technologically advanced, and 14 of these, or 45.1 percent, are U.S. enterprises.

3. They tend to be more profitable among enterprises already in operation. On the whole, they have done a good job with keeping their foreign exchange payments and receipts balanced.

Mayor Zhu said, the U.S. has done well with its investments in Shanghai because of their own efforts, but more importantly, it is because Shanghai has provided the proper environment and has continued to improve its intangible investment climate. Indeed, in recent years, Shanghai has done much to improve the intangible investment climate. For example, it has actively implemented the central government's policy of extending foreign investors preferential treatments, exempting or reducing their income taxes, and allowing them to exchange RMB for foreign exchange before remitting their profit abroad. It has enacted the "Provisions on the Encouragement of Foreign Investments in Shanghai Municipality" (otherwise known as the "Sixteen Articles") and has granted more preferential terms to the exporting and the technologically advanced enterprises. It has augmented the facilities in the Minxing and Hongqiao Economic and Technological Development Zones, promulgated the "Provisions on the Encouragement of Foreign Investments in the Minxing and Hongqiao Development Zones," and established the Caohejing Micro-Electronic Industrial Zone. It has set up the "Foreign Funded Enterprise Foreign Exchange Regulating Center," the "Foreign Funded Enterprise Material Supply Company," and other organizations which serve

foreign merchants. It has legalized the transfer of land-use rights with compensation, reinforced legislative works, and promulgated a series of more than 20 local rules and regulations.

Mayor Zhu emphatically pointed out that since General Secretary Zhao Ziyang proposed, at the end of last year, the strategy of speeding up the economic development of the coastal regions, and urged Shanghai to take further steps to absorb direct foreign investments, Shanghai's municipal government has made a series of new decisions to further improve the investment climate. For example, it has established an authoritative foreign funded project appraisal organization which will streamline the handling of external affairs and appraisal procedures to increase efficiency. It has further enhanced and perfected the economic legislative works pertaining to foreign trade. Within the next 5 years, a series of 61 new economic laws and regulations on foreign trade will be drawn up. Shanghai has encouraged the development of the "three forms of import processing and compensatory trade," and has delegated the power to appraise and approve projects to the districts, counties, and bureaus. Beginning this year, a second Huangpujiang Bridge, and other municipal projects, will be built to further improve transportation and communications. The Pudong District will be turned into an economic trade center and export processing zone to attract foreign investments, and enterprises with investments in Shanghai will enjoy extended preferential treatments. Our American friends are invited to invest or participate in any kind of partnership in Shanghai.

With regard to the further development of Sino-U.S. economic cooperations, Mayor Zhu hopes that the Americans will take a broad and long-term view, adopt a positive and forward attitude, and promptly extend to China the preferential treatment she deserves, and abolish the restrictions on technology transfer to China. He said, "if these conditions are fulfilled, I believe Sino-U.S. economic cooperation will advance by leaps and bounds."

12986

'Bright Prospects' for Economic Cooperation With U.S.

40060429B Beijing JINGJI CANKAO in Chinese
20 Jun 88 p 1

[Article by reporter Li Lubo 7812 7627 3134: "Obstacles Need to be Surmounted", "Bright Prospects for Sino-U.S. Economic Cooperation"]

[Text] Several thousand Chinese and Americans from government, business and academic circles met this week in Beijing for a conference on Sino-U.S. industry, trade and economic development. The participants of the conference had reason to feel optimistic about the

achievements and prospects in the economic cooperation between the two nations, but also voiced concerns about the obstacles in the way of cooperation.

The authorities concerned in the Chinese government hope that both China and the U.S. can make use of this conference to find effective ways to surmount the obstacles, thereby maintaining the favorable momentum in trade and economic cooperation between the two nations, and realizing the bright prospects for cooperation as soon as possible.

Chinese government statistical data indicates that after the "ping-pong diplomacy" of the early 1970's broke down the door which had been a barrier to Sino-U.S. relations for so many years, economic cooperation between the two nations began from practically ground-zero. However, in 1987 trade volume between the two nations amounted to \$7.8 billion, making up over 9 percent of our nation's total foreign trade, and the U.S. became China's third largest trading partner, next only to Hong Kong and Japan.

According to our published customs statistics, from January to May of this year Sino-U.S. trade volume had increased 26 percent over that for the same period last year, amounting to \$3.34 billion. Of this total, exports accounted for \$1.2 billion, and imports were nearly \$2.1 billion.

Mutual investment between China and the U.S. has also become increasingly active because of adjustments in the international industrial structures and the deeper opening of China to the outside world. At present, American businesses have invested in 408 projects in China, with the agreement amounts totaling \$3.04 billion. This is second only to Hong Kong and ranks first among foreign investment in China. The scope of American investment in China is very broad, including hotels, airplane manufacturing, and many others, and the management conditions are basically good.

At the same time, China also runs 116 enterprises in the United States, in such fields as trade, finance, production, tourism and restaurant business. They are located throughout the U.S.—from Alaska in the north to California in the south.

Specialists and scholars concerned feel that the speedy development of economic cooperation between China and the U.S. in the last few years is primarily due to the unremitting efforts of the two governments. Since the establishment of relations in 1979, China and the U.S. have successively signed agreements and accords in the areas of trade relations, industrial and technological cooperation, avoidance of double taxation, peaceful uses of nuclear energy and the fishing industry. At the same time, in keeping with the 1984 Sino-U.S. industry and technology accord, the two nations concluded a succession of work plans in such areas as metallurgy, electronics, industrial technology, transformation, machinery,

aviation and medicine which serve to strengthen cooperation. Specialists and scholars have noticed the fact that, since 1884, economic cooperation between China and the U.S. has undergone structural changes. First, the items of cooperation have extended from services into production projects, with scopes and scales continually expanding. Second, the forms of cooperation have become more and more diversified.

The product mix in Sino-U.S. trade is also undergoing change. When the U.S. relaxed restrictions on China exports in 1985, this caused a rapid proportional increase in China's imports of such technological products from the U.S. as mechanical and electronic instruments; these products comprised 24.6 percent of the total import amount in 1984 and increased to 42.2 percent last year. At the same time, in addition to such traditional commodities as textile, petroleum and handicraft products, China's exports of household appliances and mechanical and electronic equipment to the U.S. have proportionally increased year after year.

Specialists and scholars have also noted that although trade between China and the U.S. has already increased to approximately nine percent of China's total trade with the outside world, yet this is only less than one percent of U.S. trade with the outside world. Furthermore, China's trade deficit remains the same, reaching \$1.8 billion last year, and over \$800 million for the first five months of this year.

Specialists and scholars generally feel that the restrictive obstacles to further development in Sino-U.S. economic relations lie in the following four areas: the U.S. government still has not given China the favorable treatment it deserves as a developing nation; China's exports to the U.S. are still subject to such protectionist restrictions as quotas, automatic restrictions and anti-dumping measures; the U.S. still places heavy barriers in the way of exports and transfer of high technology to China and are not easing up; and there has been no substantial developments in talks on a Sino-U.S. investment protection agreement and a shipping agreement, which has influenced business in these two areas.

Specialists and scholars point out that, although there are obstacles in the way of Sino-U.S. economic cooperation, the potential is enormous and the future looks optimistic. One reason for this is that there are fairly large markets in the one country for the products of the other and secondly, the dominance of the U.S. in such areas as capital abundance, technology and management can seek out and find a more profitable outlet in China's coastal economic development and modernization construction.

Bio-Engineering Venture With U.S. Company
HK0407133988 Beijing CEI Database
in English 4 Jul 88

[Text] Ningbo (CEI)—A Sino-U.S. contract for China's first diagnostic enzymatic reagent manufacturing corporation has just been signed in Ningbo, Zhejiang Province in east China.

Construction will start this August, and when operation starts in July 1989, the firm will turn out 150 million milliliters of six different enzymes to be used in diagnostic reagents.

At present, more than 90 percent of the diagnostic enzymatic reagents used in China's hospitals are imported from other countries.

Foreign Trade Surplus Grows in First Six Months
OW2707182188 Beijing XINHUA in English
1330 GMT 27 Jul 88

[Text] Beijing, July 27 (XINHUA)—China gained a foreign trade surplus of 4.6 billion U.S. dollars in the first half of this year, according to a senior trade official.

Speaking at a news briefing here today, Liu Xiangdong, spokesman for the Ministry of Foreign Economic Relations and Trade (MOFERT), said that China's foreign exchange reserves thus totalled 17.1 Billion U.S. dollars when the first quarter of 1988 ended.

Liu cited MOFERT statistics to say that China's foreign trade in the first six months this year hit 35.85 billion U.S. dollars, an increase of 19.5 Percent over the same period last year.

According to Liu, China's export earnings in the period reached 20.22 billion U.S. dollars, 16.1 Percent up from the same 1987 period, while import grew by 24.3 Percent to 15.63 Billion.

The exports of machinery, minerals, light industry products, silk, cereals and edible oils, native and animal by-products all increased by more than 100 million U.S. dollars each. The biggest share of growth went to the exports of machinery products while the exports of coal and crude oil also went up by a dramatic margin.

Affected by the world market, the spokesman said, China's exports of textiles did not grow much in the six months and the exports of agricultural products fell due to increased domestic demand.

Liu said that exports of raw materials were down while more manufactured goods were exported. China's imports were focused on raw materials, components, technology and key equipment.

The unchecked imports of production lines and luxury consumer goods, which cost China a large trade deficit in the past few years, were basically brought under control, Liu noted.

When asked to comment on China's arms sale, the spokesman said that although China exports a small amount of arms, it takes responsible measures to make sure that the sales do not aggravate conflicts in any regions of the world.

Despite the slight increase of summer crops and alleviation of damages by drought or flood in some grain producing areas, China still depends on the fall crops for its grain supplies, Liu said.

China will decide whether or not to increase the imports of grain later this year on the basis of domestic demand and world market prices, the spokesman added.

Circular Details Change in Guaranteed Export License Goods
HK2607132388 Beijing CEI Database in English
26 Jul 88

[Text] Beijing (CEI)—China's Ministry of Foreign Economic Relations and Trade (MOFERT) has sent a circular recently which made some changes in the table of varieties of export goods guaranteed by export licences, according to MOFERT's newspaper "International Business".

Eighty-four varieties of goods will be no longer guaranteed by export licences including musk, canned asparagus, engines, some kinds of pharmaceutical products and textile products.

There are now still 159 varieties of goods guaranteed by the export licences, of which 27 should be approved and issued by the Ministry of Foreign Economic Relations and Trade, 41 should be issued by special offices under the MOFERT in major ports and the other 91 should be issued by foreign economic and trade departments (councils or bureaus) in provinces, autonomous regions and the cities directly under the central government.

State Council Allows Broader Powers of Approval for Foreign-Funded Projects
OW2107154088 Beijing XINHUA in English
1435 GMT 21 Jul 88

[Text] Beijing, July 21 (XINHUA)—The State Council has decided to give interior provinces and central departments broader powers to examine and approve foreign-funded projects.

Now they can approve projects involving up to 10 million U.S. dollars in foreign investment, compared with five million U.S. dollars before.

The departments include the State Bureau of the Building Materials Industry, the State Pharmaceutical Administration, the State Environmental Protection Bureau, the Civil Aviation Administration of China, the National Tourism Administration, the National Bureau of Oceanography, the National Meteorological Bureau, the State Seismological Bureau and the Chinese Academy of Sciences.

Strategies for Developing External Economic Cooperation

40060371 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 5, 30 May 88 pp 2-7, 36

[Article by Zhang Changyu 4545 2490 5940 and Xia Shen 1115 3947, Foreign Economic Relations and Trade College: "China's Strategic Options for External Economic Cooperation in an Evolving International Economy"]

[Excerpts] Development is the most important issue in the current age, and international economic cooperation forms a major component of national economic development. During the 1980s, countries throughout the world have sought to strengthen external economic cooperation so as to readjust their external economic relationships and policies, and they have reformulated their strategies for external economic development in an effort to find opportunities for survival and growth in a changing international economy. China, which has been opening up to the outside world for 9 years, should clearly recognize and understand the profound changes that have occurred in the external economic cooperation strategies of other countries, make this the turning point at which we choose a new external economic cooperation development strategy, vigorously expand external economic cooperation, and make external economic cooperation a powerful "engine" propelling the internationalization and modernization of our socialist market economy.

China's Goals and Strategic Options for External Economic Cooperation

In a market economy, any country's production tends to become more internationalized as that production grows more socialized. After 9 years of reform and liberalization, China's open, planned market economy has taken the first steps toward breaking out of its prolonged autarkic seclusion, an increasing share of her national income is externally oriented, and more and more of her social reproduction and circulation is taking place and balancing out in the international arena. Statistics show that in the last 9 years we have approved the establishment of 8,500 foreign-funded firms, signed agreements introducing a total of approximately \$17.1 billion in foreign capital, imported 2,300 sets of advanced technology and equipment worth \$13.6 billion, and actually drawn on \$20.7 billion in foreign loans, including \$2.6 billion in government concessional loans. We have also

created a multi-tiered, prioritized coastal development zone that diffuses new things to the hinterland and have implemented a strategy for externally oriented development in coastal areas. We have nearly 400 productive enterprises overseas, and Chinese investment in these concerns totals 620 million yuan. We have provided \$4.5 billion in construction labor and other labor service abroad. And we have earned an annual \$8.0 billion or so in foreign exchange through external economic cooperation. Thus, although external economic cooperation still accounts for only a small share of our national economy, it has great potential and momentum, is growing fast, forms a vital and active part of the national economy, and can become a new "engine" propelling the externally oriented component of our economy and even the development of our entire national economy. We should like to proceed from this historical starting point and attempt an examination of the objectives of China's effort to develop external economic cooperation in response to the stern challenge posed by the recent changes in economic strategy on the global scene.

In a phrase, internationalizing, upgrading and diversification of China's socialist market economy are China's external economic cooperation objectives and form the basic elements of her strategy for opening up to the outside world.

Specifically, the first reason why China is developing external economic cooperation is to promote further internationalization, vertically and horizontally, of her socialist, open-market economy, so as to adapt to the growing interdependence within and homogenization of the world economy. This notion of internationalization consists of two elements. The first involves China's effort to make her thinking more international, to advance on global markets (such as international trade, finance, investment, technology and informational markets) from every direction and on many levels, to increase her share of various markets as much as possible, and to deepen and broaden her participation in the great circular flow of the international economy, so as to reasonably increase the relative importance of the externally-oriented economy in her national economy, the size of the externally-oriented economy and its rate of growth and to improve her position in the international division of labor. The second aspect of internationalization is to promote the internationalization of Chinese enterprises, to make certain links in the reproduction and expanded reproduction and even in the primary production of a number of enterprises more consciously advance beyond China's borders into the global arena, and to enable a large number of enterprises (such as multinational corporations, trading companies and banks) to grow, mature and become externally oriented "spigots."

The second reason why China is developing external economic cooperation is to upgrade her socialist economy in terms of production and sectoral mix and to take advantage of the great historic opportunity afforded by

global shifts of production and structural readjustments that have occurred in the 1980s and will continue into the 1990s. Besides improving sectoral mix, upgrading also includes improving the sophistication of China's external economic activity, which means that as China's national economy reaches a new, higher stage of development, the modes in which she participates in the international division of labor, investment and trade will be upscaled regionally, sectorally and in terms of enterprise mix, and that her role will advance from an elementary level, in which commodity trading predominates, to a sophisticated level, in which she is equally involved in flows of both production factors (especially combinations thereof) and commodities.

The last reason why China is developing external economic cooperation is to provide more options for her strategy of opening her socialist market economy up to the outside world and to give herself more choices and room to maneuver in the way in which she participates in international economic activity, so as to respond to trends in international competition, to avoid the risk and uncertainty involved in relying solely on export trade, and to obtain optimal results from external economic cooperation.

In sum, the way in which international economic activity is currently structured, the general laws under which it operates, the present form of China's economy—an open-market economy at the preliminary stage of socialism—and its specific laws together condition the strategic status and function of external economic cooperation in China's national economy at this stage of development and dictate that China must develop external economic cooperation in order to internationalize, upgrade and diversify her economy. Once we have determined the role and objectives of China's external economic cooperation, we can shift our strategic perspective and examine and set appropriate external economic cooperation policy.

I believe we must incorporate the following key elements when we draw up strategic plans and general guidelines for the development of China's external economic cooperation through the end of this century.

First, we must formulate an integrated development strategy for external economic relations and trade. And the first things we must do in this regard are to resolutely transcend narrow departmental and cliquish interests; focus on eradicating the practice of keeping foreign trade and external economic relations separate and of treating them as self-contained, closed-off functions; coordinate the various fragmented elements of external economic affairs that operate as if they were independent; effectively strengthen the ties and interaction among and the cooperation of such economic activities as foreign trade, use of foreign capital and investment abroad, importing and exporting of technology, importing and exporting of labor services, and receiving and giving foreign aid. We

must clearly understand that the diversification of international economic activity is an inevitable result of the action of international productive forces and that the latter, in turn, requires that the wide range of economic activities be closely and organically integrated. The traditional practice of engaging solely in foreign trade is an elementary form of international economic activity and is no longer suited to contemporary international competition. If a nation wishes to promote its externally oriented economy more rapidly, it cannot keep driving the single "car" of foreign trade but must have two vehicles running in tandem and must start the "engines" of foreign trade and external economic cooperation simultaneously. Any nation that fails to patch its external economic cooperation and foreign trade into the great circular flow of the international economy at the same time and that instead relies solely on expansion of exports may find itself trapped in a vicious circle.

Second, we should make multinational corporations our primary vehicle for expanding external economic cooperation and move toward a full range of business operations. Investment-driven multinationals are the major actors in present-day international trade and economic-technological cooperation. So if China is to move her external economic cooperation up a step in terms of volume and sophistication, she will have to push her strong, large and medium industrial, trade and financial enterprises into the first line of multinational operations, give these entities various types of authority to engage in external operations and more leeway to make their own choices, and lay the groundwork for them to compete on as equal a footing as possible with similar foreign firms. At the present stage, the state should selectively support and develop trade and financial multinationals that are heavily involved in disembodied technology, promote the development of externally oriented enterprise conglomerates, and create the necessary conditions to enable production multinationals and international construction contractors that are already operating overseas to diversify. We have great expectations for the growth and development of multinational corporations bearing Chinese characteristics, and we can say without any exaggeration that they represent the bright future in which China's external economic cooperation will truly flourish.

Third, the state should establish an administrative system for each industry corresponding to relevant international agencies. Once international corporations, construction contractors, and service-industry firms begin operating like true enterprises, the state may draw on current international practices and the experiences of developing countries and establish national federations, foundations and administrative agencies to supervise respective industries. For example, we might create a federation of Chinese international contractors, a Chinese international development administration, a Chinese overseas investment commission and the like. Such agencies would provide guidance and coordination for

relevant enterprises in accordance with the state's strategy for economic development and policy of opening up to the outside world. And the primary mission of the agencies would be to draw up plans and regulations, hold informational meetings, organize and administer bid solicitations, establish development and insurance funds, and wholeheartedly serve enterprise internationalization for the industries they supervise. We believe that such agencies, when established and operating smoothly, will definitely help transform the functions of government departments, make the departments more efficient and facilitate macroscopic management and the creation of a unified approach to the outside world.

Fourth, we should incorporate external economic cooperation into general international economic activity and market competition and risk factors into the external economic cooperation operational mechanism. We believe that external economic activity is essentially an extension of the domestic economy and thus should be rooted in economic interests, aim for economic returns and employ economic measures as its regulatory levers, which is to say that such activity should be treated as another form of international commerce. Even if some types of external economic cooperation—such as foreign aid, which has strong political and foreign-relations overtones—are unique and are conditioned by the size of the regions, nations and projects in which they take place and by political factors, we must also take into consideration our nation's economic capacity and interests when we deal with such external economic cooperation. The nature of current foreign economic aid is manifested not only in the linkage of assistance and investment but even more saliently in the practice of using aid to promote the export of the donor nation's goods (for example, by increasing the share of export credits and the share of the donor nation's goods in the recipient nation's total purchases). We might consider making use of these common international practices. For foreign aid and other economic activity complement each other when linked, and the linkage will facilitate both expansion of China's external economic cooperation and acceleration of recipient nation development. In addition, the commodity economy, by its very nature, requires that we apply the market mechanism to the broad realm of external economic cooperation. There is much we must do here. We must hold open bidding for overseas construction, foreign-aid and external management projects and select the best bids; require payment for the domestic use of the proceeds from foreign aid grants and concessionary loans; and the like. In all these areas, we must eliminate administrative interference.

Fifth, the state should use policy and law to provide full support for external economic cooperation development. As to policy, the state should grade enterprises in terms of their capital, technology and managerial capacities and use assigned grades for credit rating and as a legal basis for granting enterprises appropriate amounts of authority to engage in external operations, such as obtaining loans from abroad, bringing in foreign capital,

importing technology, processing of imported materials for export, investing abroad, reinvesting profits earned abroad, selling stock, participating in international financial markets, undertaking international transport and engaging in foreign trade. The state should tax multinational corporations on the basis of their volume of business, require that taxes be paid in foreign currency for business conducted abroad but permit the exchange earned on exports promoted through these enterprises' operations to be applied towards the enterprises' foreign-exchange earning quotas. In terms of law, we must improve the regulations governing all aspects of external economic cooperation. For example, we should draw up and promulgate as quickly as possible laws governing foreign aid, direct investment overseas and the management of multinational corporations and sign agreements with other countries preventing double taxation. In the area of training, the state should place emphasis on the training of multinational corporation managers; establish a special center for this purpose and require that all management, financial, accounting, sales and legal experts undergo training and that multinationals employ people holding certificates evidencing completion of training at the center.

Above we have explored, in connection with the major trends in the international economy, the basic elements and policies China's external economic cooperation strategy should include. If incorporated into relevant policy, these elements and policies will surely produce a new, gratifying state of affairs in China's external economic cooperation and enable China's participation in the great circular flow of the international economy to reach a more sophisticated level and to be enriched.

Some Theoretical Thoughts on External Economic Cooperation Development Strategy

The evolving international economy and our rich and vital experience in opening up to the outside world continuously provide economic theory with new nourishment, issues and challenges. In examining external economic cooperation development strategy, we must not continue merely to draw inspirational, perceptual knowledge from the new tides of global development but rather must rise to a theoretical height to approach and understand those tides. This requires a series of changes in our way of thinking and painstaking theoretical investigation and innovation.

The following are some of the most sensitive theoretical "hot spots" in determining external economic cooperation development strategy.

1. The problem of how to provide a scientific definition of external economic cooperation. In our view, the concepts "greater foreign trade and economic relations" and "greater foreign trade" that are currently employed in academic circles overlap and are vague, and we need to give the concepts of foreign trade and external economic cooperation a precise, scientific definition. In

analyzing the mode of cooperation that appeared during the development of capitalist production, classical Marxist writers said that cooperation can create new productive forces. This notion of cooperation refers to the cooperative relationships workers forge in the realm of production, and the development of these relations is always conditioned by the development of productive forces. When socialized mass production advanced another step to become internationalized mass production, cooperative productive relations among nations arose. Thus international economic cooperation is a form of productive activity by new productive forces that were engendered through a recombination of production factors and therefore differs from international trade, which is an exchange of material goods among countries. Marx believed that the most important activity human society depends on for survival and development is production, that production determines circulation, and that circulation, in turn, affects production. This shows that we should use production and circulation as the criteria with which to distinguish international economic cooperation from international trade. Production is inseparable from its basic elements, production factors. Thus international economic cooperation essentially is a complex process of redeploying and recombining capital, labor, technology, information and other production factors in the realm of international production. In international economic theory, there is even a subfield called "international movements of production factors," which specializes in the analysis of issues related to international economic cooperation. Thus there is a clear theoretical justification for using the deployment and working of production factors as the basis for defining international economic cooperation.

2. The problem of the interrelationship between foreign trade and external economic cooperation. Having drawn a distinction between foreign trade and external economic cooperation, we nevertheless discover that the two realms are also interdependent and condition each other. Merchandise trade, which is rooted in factor endowments, has long been China's principal external economic tie. But as production grew increasingly internationalized and the international division of labor extended from circulation to production, the limitations of traditional merchandise trade became ever more apparent, so new types of economic ties were required to fill the gap. Thus arose international economic cooperation, a new and vigorous form of activity that overlaps, permeates and blends with international trade. For example, compensation trade and export processing are types of trade that take the form of economic cooperation; technology transfer and leasing are types of economic cooperation that take the form of trade; and enterprises processing imported materials, engaged in compensation trade, financed with foreign capital or operating overseas combined trade of capital and technology (production factors) and of merchandise. For a long time, the development of China's external economic relations has been propelled by foreign trade, which in turn has been dependent on development of

external economic relations, and these two realms sometimes have even competed in areas where they overlap. For example, we have had to provide aggressive and correct guidance for the trade aspects of our external economic cooperation. Therefore, the central issues in correctly handling the relationship between the two realms are how to rationally deploy the various forms of foreign trade and of external economic relations; how to coordinate foreign trade and external economic cooperation, develop their complementary nature and fully exploit their broad range of functions; and how to create a benign cycle in foreign-exchange earning and use.

3. The issue of cooperation within competition and competition amidst cooperation. We believe that the basic factors conditioning the interaction and alternation between competition and cooperation are strength and interest and that, by carefully analyzing these two phenomena, we can grasp the essence of the interrelationship between them. The trends in the growth and decline of nations' economic and technological strength and in the advance and setbacks of their economic interests, which result from fluctuation in strength, form a pattern of international economic relations in which nations' economic interests both conflict and overlap. Some comrades believe that competition is the real essence of these relationships and that cooperation is just a means to an end. But, actually, both are merely means that serve to protect countries' national interests (which ultimately are economic) and to enhance countries' economic strength. Clearly, using the notions of strength and interest to identify the necessary conditions for China to compete and cooperate with developed and developing nations and the proper forms, timing and regions in which she should undertake that competition and cooperation is of theoretical and practical significance for her effort to develop external economic cooperation.

There are a number of other theoretical issues that merit further examination. For example, within the main issues of maintaining world peace and promoting global development, how should we approach the problem of cooperation between the socialist and capitalist blocs, which are at once both antagonistic yet interdependent? What are the contradictions in China's involvement in global, regional, multilateral and bilateral economic and technological cooperation, and how do we resolve those contradictions? What factors condition the development of China's external economic cooperation, and to what extent should China get involved in external economic cooperation? How can we integrate the operational mechanisms peculiar to each realm of international economic cooperation with the mechanism governing the entire process?

Development requires theory, and "the tree of theory is ever green." Sustained theoretical exploration will enable us to select and formulate correct external economic cooperation strategies and to meet new challenges, one after another.

12431

Export Duties Levied on Copper, Aluminum
HK0607141788 Beijing CEI Database
in English 6 Jul 88

[Text] Beijing (CEI)—China started levying a 30 percent export tax on copper and aluminum on July 6 this year, the Office of Customs Tariff Commission under the State Council has announced.

The copper and aluminum materials to be taxed include matte, unwrought copper (refined or not) and unwrought aluminum; waste and scrap; wrought bars, rods, angles, shapes and sections; copper wire; wrought plates, sheets and strip.

Beijing Corporation Set Up for Barter Trade
HK2507052488 Beijing CHINA DAILY in English
25 Jul 88 p 1

[By staff reporter Qu Yingpu]

[Text] To keep pace with the booming barter trade which has developed with foreign countries in the past two years, Beijing set up an international barter trade corporation on Saturday. The only one of its kind in the Chinese capital, the Beijing International Barter Trade Company is empowered by the Ministry of Foreign Economic Relations and Trade and the Beijing municipal government to develop direct trade relations with the Soviet Union, Eastern Europe, Southeast Asia, and Latin America.

President Lu Hongbin said the setting up of his corporation marked Beijing's new move to cultivate more economic exchanges with the above-mentioned countries to save foreign currency expenditure.

The corporation will be independent in terms of financial accounting, balancing foreign currency earning and spending, shouldering profits and losses and contracting with foreign businesses, Lu said.

The president said the corporation will concentrate on barter trade, production co-operation and processing projects, technology renovation in existing enterprises, establishing new projects, technological transfer, setting up Sino-foreign co-operatives and joint ventures, conducting compensation trade, providing labour service and contracting construction projects.

Major products to be handled by the corporation will include textiles, garments, light industrial products, metals and minerals, chemicals, machinery, building materials, electronic products, special vehicles, medicines and health products, cereals, oil and foodstuffs, native produce and animal by-products.

Ideal Way

Considering China's tight foreign exchange budget, barter trade, which accounts for about 10 per cent of the total world trade value, is the ideal way to promote its export to, and import materials, machinery and consumer goods from, foreign countries, said Wu Yi, vice mayoress of Beijing, in a written speech read out at the opening ceremony of the new corporation.

By developing barter trade, Wu said, the sister-city ties between Beijing and cities in the Soviet Union and Eastern Europe can be promoted.

Since Beijing was approved to carry out local barter trade and counter trade in 1985, the Chinese capital has, through barter trade, exported \$7.12 million worth of goods and imported \$11.38 million worth of products.

The major exports bartered have been knitwear, chemicals, native produce and animal by-products. The items bartered back to Beijing have been vertical forging presses, cement semi-trailers, bread production lines, Nestle's coffee, milk powder and woollen cloth.

Wu promised at the ceremony, which was attended by diplomats from foreign embassies that her government will give full support to the new corporation and called on the foreign envoys to help the corporation in developing trade relations with their countries.

Beijing Announces Eight Measures To Attract Foreign Investment

40060429C Beijing BEIJING RIBAO in Chinese
15 Jun 88, p 1

[Article by apprentice Zhang Zhongning 1728 0022 1337: "For Further Improvement of Investment Environment, Beijing Municipal Government Announces Eight Supplementary Measures To Attract Foreign Investment"]

[Text] In order to further improve the investment environment of Beijing Municipality, the municipal government has promulgated eight supplementary measures to attract foreign investment. These were announced yesterday at the third Municipal Industrial System Reception for the Encouragement of Foreign Investment. At the reception, nine head offices of industrial companies including the head office of the Municipal Agricultural Machinery Company and the head office of the First Municipal Light Industry Company announced over 160 projects for economic and technological cooperation with foreigners. Over 130 foreign businessmen attended the reception and entered into negotiations with departments concerned.

At the reception, the Chairman of the Beijing Municipality Foreign Economics and Trade Commission, Yu Xiaosong [0358 2556 2646] announced on behalf of the

municipal government the eight supplementary measures newly formulated by Beijing Municipality to improve the investment environment, including broadening project authority for examination and approval of region, county bureau and head office; encouraging foreign investment for the transformation of old enterprises and, after the original enterprise has been changed into a joint venture and when difficulties occur in production or management, permitting the reduction or avoidance of taxes after approval by the Finance and Taxation Bureaus; simplifying customs inspection procedures; simplifying bank loan procedures, exempting reputable joint ventures from loan guarantees, carrying out loans for overdrafts on current deposits and a convenience to the joint ventures; allowing enterprises with foreign investment the power to make employment decisions, and in the event these enterprises dismiss staff or workers in accordance with the contract and pertinent regulations, no department unit, or individual shall interfere; relaxing the scope of local income tax deduction, allowing reduction or avoidance of local income tax for those foreign invested enterprises with annual profits under one million yuan RMB when their profit rate on sales is under 30 percent; and simplifying exit procedures for business personnel of foreign-invested enterprises; etc.

Participants at the reception yesterday included: the Vice Mayor Wu Yi [0702 0308], the Vice Minister of the Mechanics and Electronics Ministry [sic] He Guangyuan [0149 0342 6678], the Deputy Director of the Textile Ministry Wang Cengjing [3769 2582 2417] and the Deputy Director of the Light Industry Bureau Xiao Yongding [5135 3057 1353].

13072

Beijing Watch Factory Seeks Foreign Partner
OW2607122888 Beijing XINHUA in English
1050 GMT 26 Jul 88

[Text] Beijing, July 26 (XINHUA)—The Beijing watch factory will be China's first factory to accept bids from potential foreign partners for joint venture cooperation or contracting.

Mei Yunxin, deputy general manager of Beijing's No. 1 Light Industry Corporation, said that the bidding is designed to pull in the most advanced international techniques, management skill and marketing channels via Sino-foreign cooperation, and to make the factory more competitive on the world market.

According to Mei, the factory has sent bidding documents to 39 enterprises in Japan, Switzerland, France, the United States, Federal Germany and Hong Kong. Reports showed some firms are interested and have already started negotiating with the department concerned.

The Beijing watch factory is one of the country's key watch producers which uses some of the most advanced techniques and equipment to produce 2.2 million watch movements a year.

Article by Du Xianzhong on Developing Border Trade With Soviets

SK0508013788 Shenyang DONGBEI JINGJI BAO in Chinese No 272 19 Jul 88 p 1

[Article by Du Xianzhong, vice governor of Heilongjiang Province, entitled "Vigorously Develop Border Trade and Economic and Technical Cooperation Between China and Soviet Union"]

[Text] Heilongjiang Province is the "northern window" of our country in opening to the outside world. Developing border trade and economic and technical cooperation with the Soviet Union is of great significance not only in making the province prosperous but also in promoting the development of export-oriented economy throughout the country. Therefore, it is very necessary for us to study or explore relevant questions in this regard.

1. Heilongjiang Province's General Situation and Trend in Developing Border Trade With the Soviet Union

Our province began its border trade with the Amur Oblast and Khabarovsk border region of the Soviet far east area in 1957. Trade was suspended in 1967. During the 10-year period, the accumulated total volume of both export and import was 34.76 million rubles. Trade was restored in 1982. Over the past 6 years, trade volume has increased year after year. Since 1987, trade has developed faster and its situation has been gratifying. Trade development has expanded from few commodities and small funds to multiple commodities and large funds, from single level business and single company operation to multiple level business and multiple channel operation, from pure export and import to the combination between trade and the economy with trade as its central part, and from single district and partner to multiple districts and partners.

There are a large number of favorable conditions at present in developing border trade and economic and technical cooperation between China and the Soviet Union, which are as follows: First, the border is long, waterway and land transportation is convenient, there is a long-standing trade history, and the commodity structure of both export and import between the two sides is more reasonable and has a strong mutually complementary nature. All of this is the objective needed to develop the economy by both China and the Soviet Union. Second, the Soviet Union has shifted its emphasis in developing the economy from Europe to Asia and conducted reforms in its foreign trade systems. Third, our country has decided to regard the development of border trade with the Soviet Union as an important component part of conducting reforms in foreign trade systems.

delegated the right to grassroots level units, and relaxed foreign trade policy restrictions. Fourth, both sides can enjoy mutual benefits without making cash remittance.

However, we should also note the difficulty. In addition to the political relationship influence between the two countries, both of us face a new situation in which challenge and opportunity as well as pressure and vitality coexist. Meanwhile, the construction of border port facilities is not perfect and the quality of personnel in charge of border trade also requires urgent upgrading.

2. Heilongjiang Province's Strategic Principles and Border Trade Countermeasures With the Soviet Union

According to the general guidelines set forth by the central authorities in the work of dealing with affairs with the Soviet Union and the status quo and practical situation in foreign relationship, the Heilongjiang Provincial Party Committee and the provincial People's Government have decided to make a breakthrough among commercial border ports to generally promote trade at various levels, with multiple channels and styles, and at all directions; to carry out combination between the trade and economy, industry, and technology; and to promote economic and technical cooperation by steadily expanding local barter trade to further develop step by step trade to inland areas of the Soviet Union and to open a trade corridor to Europe.

To this end, major countermeasures are as follows: A. Efforts should be made to actively and adequately develop trade in a guided and planned manner and step by step. While delegating the export and import right to localities and enterprises, it is imperative to enhance control over macro readjustment to prevent the outflow of foreign exchange. Attention should be paid to increasing the value in processing preliminary export commodities, gradually readjusting and perfecting the export product structure, and steadily increasing economic results. B. Efforts should be made to establish production bases and specialized plants in charge of turning out export commodities for the Soviet Union and to improve the production system of export commodities. In line with the demand set by the Soviet Union, our province will concentrate on building production bases of soybean and soybean by-products, meat foodstuff, building materials, soft drinks, melons, fruits, and vegetables; and the specialized textile product plants, duck-down commodities, and garments to ship out export commodities as much as possible by border localities and localities near the border areas. C. Efforts should be made to extensively establish lateral economic associations and to organize export commodity sources through multiple channels. We should actively set up lateral cooperation with various countries and regions; continuously expand the cooperation sphere; gradually set up long-term and stable commodity supply channels; and vigorously develop the export of intermediate, practical, and high-standard technologies by regarding the country's strong points as a backing. We should also

actively encourage or organize various localities, departments, and enterprises to set up associations with border ports to form complex strong points and to take joint action in foreign trade. To enhance our capability in foreign market competition, we should organize enterprise groups and associations which chiefly engage in export commodity production, and enforce an open policy to attract outside places to join in cooperation with the province. D. Efforts should be made to develop economic and technical cooperation with the Soviet Union and there is extremely great potential in this regard. We should work out ways to introduce funds and raw materials and to export products and manpower to gradually develop trade and economic and technical cooperation between the two countries to a higher level and a wider sphere, and to establish a relatively stable economic and trade relationship. E. Efforts should be made to enhance management over border ports and to upgrade the quality of personnel in charge of port management.

3. Our Province's Border Trade Policies With the Soviet Union and Current Questions Which Merit Attention

Heilongjiang Province's principle in the border trade policy with the Soviet Union is to delegate power that deserves to be delegated to grassroots level units and to relax policy restrictions that deserve to be relaxed. Our concrete policies are as follows:

1) Commodities imported from the Soviet Union can be distributed independently by import enterprises, and a number of imported commodities may be exchanged with other provinces for other export commodities in short supply within the province.

2) Efforts should be made to adequately relax sale price restrictions set for imported commodities. According to the state policy on commodity prices and the situation, enterprises which enjoy the import commodity distribution right and engage in trade with the Soviet Union are allowed to fix their imported commodity prices by consulting with the price department and to sell their imported commodities at market prices or higher if these commodities were purchased at higher prices.

3) Imported materials which are in short supply in the province and a number of commodities which have been imported to make up the shortage of import substitutes, may be sold at the international price or at the price calculated in line with the foreign currency exchange rate with the approval of the provincial department concerned. All foreign exchange earned from this import may be retained by enterprises themselves to support export commodity production. Foreign exchange earned from exporting imported commodities which have been further processed in the province may also be retained.

4) The rate of profit share earned from trade and economic cooperation with the Soviet Union should be 60 percent for the province-run enterprise and 40 percent for the provincial financial department and should remain unchanged for 3 years, and that of profit share earned by the enterprises run by prefectures, cities, and counties may be fixed independently.

5) Enterprises which are not authorized to have trade and economic cooperation with the Soviet Union and have fulfilled export commodity supply contracts may enjoy the bonus paid by enterprises which enjoy the right of trade and economic cooperation with the Soviet Union in line with the rate of 1 percent of their export purchase volume. Such a rate should remain unchanged for 3 years and the bonus can be spent on export commodity production costs. Along with the situation development, we will also readjust and supplement policies to enable them to be perfect.

To promote border trade and economic and technical cooperation with the Soviet Union, attention should be paid to the following six questions: A. Generally speaking, we are still in the initial stage in conducting border and economic and technical cooperation with the Soviet Union. Therefore, it is imperative to steer a cautious course and to seek practical effect. What is most and currently important is that we should concentrate on making a breakthrough in exporting one or two commodities and engaging in the cooperation of one or two items to open up a new prospect. B. Cities and counties which contain border ports should further enhance their concept of the whole situation, emancipate minds, adopt open policies, have their feet firmly planted at local areas, render service to the province as a whole, and keep the country as a whole in view. C. The key to successful border trade with the Soviet Union lies on the volume of export goods sources. Therefore, from now on we should vigorously build production bases and specialized export commodity plants, enhance the work of conducting joint-venture business and establishing associations with localities throughout the country, and organize export goods sources throughout multiple channels. D. Cities, counties, and enterprises which enjoy the right of trade and economic cooperation with the Soviet Union but have no border ports or plan to open ports should not adopt a wait-and-see attitude and rely on others in setting out their operation, and should actively create conditions in this regard and establish associations with localities which have conditions in this regard. Units which cannot enjoy the right of trade and economic cooperation with the Soviet Union for the time being should also actively create conditions to join in the trade. E. The central authorities and the provincial authorities have clearly defined that the main issue concerning the policy of border trade and economic and technical cooperation with the Soviet Union is how to successfully and satisfactorily implement the policy in a lively way. Efforts should be made to encourage localities to study or further probe the policy and to refrain from seeking another policy while putting the existing one aside, and

from being idle in exercising their given right. F. All-out efforts should be made to train personnel in charge of border trade and to upgrade the quality of border trade personnel's contingent as soon as possible. In training personnel, we should spare neither labor nor money and in introducing outside personnel, we should spare no high wages. This is an important investment and has a direct bearing on border trade development and economic and technical cooperation with the Soviet Union.

We must treasure and utilize the new opportunity provided by history, vigorously develop border trade and economic and technical cooperation with the Soviet Union, and contribute to implementing the country's strategy on developing an export-oriented economy.

Overseas Chinese Aid Guangdong's Economic Development

40060429A Beijing RENMIN RIBAO in Chinese
17 Jul 88 p 4

[Article by reporter Shu Yu 5289 3842: "Overseas Chinese Are in Favor of the Policy, Their Hometowns Take on a New Look"; "Active Overseas Chinese Affairs Work in Guangdong Aids Economic Development"]

[Text] Guangdong once was the homeland where overseas Chinese "dared not recognize their relatives", but it has now become a warm place where overseas Chinese are happy to "claim kinship." The implementation of the overseas Chinese affairs policy has aroused warm feelings of patriotism and love for the hometown among overseas Chinese and compatriots in Hong Kong and Macao. Work on Guangdong overseas Chinese affairs is becoming a strong driving force in economic development.

Guangdong is well known as the home of many of our nation's overseas Chinese. In recent years, the province has given close attention to dealing with unjust, false or misjudged files on returning overseas Chinese and their relatives, and problems left over from the past. It has re-examined and sorted out various discriminatory material in the files of returning overseas Chinese and their relatives and has solved numerous actual problems for a large number of returning overseas Chinese and their relatives, such as Party entry, housing, school entrance, employment, and intellectuals' engaging in fields which are not what they have studied. Implementation work on all items of the overseas Chinese affairs policy has been basically completed.

Basic implementation of the overseas Guangdong Chinese affairs policy brings in even larger numbers of overseas Chinese for family visits and boosts the initiation of all kinds of public welfare work in their hometowns. In the last eight years, overseas Chinese and compatriots from Hong Kong and Macao have backed the establishment of five universities, the extension or new construction of over 3,200 elementary schools and high schools, and over 300 hospitals in Guangdong.

From 1979 to 1987, overseas Chinese and compatriots from Hong Kong and Macao have initiated numerous "three forms of import processing and compensation trade" enterprises in Guangdong. Many of the newly established enterprises and older enterprises that have undergone transformation through the introduction of advanced technology have already become export-oriented enterprises with fairly high economic results and fairly strong competitive ability. At the same time, the overseas Chinese and compatriots from Hong Kong and Macao have invested in their hometowns, engaging in developmental production. Also, in recent years, a large group of overseas Chinese and compatriots from Hong Kong and Macao with specialized knowledge have come to Guangdong to lecture and conduct technology exchange and talent cultivation work. The Guangdong office of overseas Chinese affairs alone has invited or organized the visits of over 4,000 of these individuals. Overseas Chinese affairs work also greatly promotes the development of the tourism business, bringing in large amounts of exchange from the overseas Chinese and lots of non-trade foreign exchange income, and providing necessary funds for Guangdong's economic construction.

An official from the Guangdong overseas Chinese affairs office told reporters that the development of overseas Chinese affairs work has not been equal throughout Guangdong. Some places lag behind in implementing the overseas Chinese housing policy and this problem needs to be resolved as soon as possible. Furthermore, legislative work on overseas Chinese affairs still needs to be addressed and carried out.

13072

Electronics Industry Increases Exports
OW0807003388 Beijing XINHUA in English
1019 GMT 7 Jul 88

[Text] Beijing, July 7 (XINHUA)—The China Electronics Import and Export Corporation scored an increase of 1.28 Times in its exports in the first 5 months of this year over the same 1987 period.

According to today's PEOPLE'S DAILY, exports of household electrical appliances including television sets, cassette recorders, refrigerators, and audio equipment accounted for 70 percent of the total.

The corporation earned 217 million U.S. dollars from exports last year.

Chinese-made electronics have found a market in more than 100 countries and regions, the paper said, adding 6 items have won gold medals at international exhibitions.

The paper attributed the high figures to China's ongoing economic reform and more enterprises authorized to independently handle import-export trade.

Foreign-Funded Enterprises Increase in Tianjin
HK2607121388 Beijing CEI Database
in English 26 Jul 88

[Text] Tianjin (CEI)—Twenty-nine foreign-invested enterprises were set up in Tianjin in the first half of this year, four more than those established in the same period of last year.

Total investment of the 29 enterprises amounted to 73.74 million U.S. dollars, an increase of 224 percent over that in the same period last year, and foreign investment covered 30.71 million U.S. dollars, an increase of 278 percent.

Thus far, the number of foreign-funded enterprises in the city has reached 259, with a total investment of more than 600 million U.S. dollars, among which foreign investment makes up 273 million U.S. dollars or about 45 percent of the total.

Foreign investment in Tianjin has taken on new features since the beginning of the year.

First, most of the foreign investment has gone to industrial production projects. Of the 29 enterprises, 26 are projects of this kind.

Second, big projects with investments exceeding five million U.S. dollars have increased. Five of the 29 enterprises are such projects. Their investment totalled 57.5 million U.S. dollars accounting for 78 percent of the total.

Third, the number of countries and regions that invest in the city has also grown. Investors from 10 countries and regions came in the first half of the year, while there were only six during the same period of last year.

Finally, the form of foreign investment has become more flexible. Foreign-invested enterprises set up in the first half of last year were all Sino-foreign joint ventures while the 29 enterprises formed in the same period this year also take the form of cooperative enterprises and exclusively foreign-owned enterprises.

Shanghai Mayor Meets Japanese Entrepreneurs
OW1807043488 Shanghai City Service in Mandarin
0900 GMT 11 Jul 88

[Text] Mayor Zhu Rongji met the delegation from enterprises of Japan for Promotion of Trade and Investment in China at the Jinjiang Hotel at noon today. He told the delegation, which was led by (?Takahashi) with (?Inoguchi) as advisor, that we are determined to make Shanghai second to none in investment environment in accordance with the international norm, and hope Japan will give priority to its cooperation with Shanghai. Mayor Zhu said: The delegation's [word indistinct] is expected to further promote Shanghai's cooperation with Japanese enterprises, small and medium-sized ones

in particular. He noted that despite noteworthy development in Japan's cooperation with Shanghai, Japan's investment in Shanghai still falls behind that of the United States. At present, U.S. investments account for 30 percent of all [foreign] investments in Shanghai. Japan is not even ranked second. This is incompatible with the close proximity between China and Japan, which are neighbors separated only by a narrow strip of water. There should be still greater development in the economic and technological cooperation between Shanghai and Japan. Mayor Zhu said: I wish for you to make money through Sino-Japanese cooperation, and I will not be jealous no matter how much you make.

The delegation includes leaders of enterprises in Tokyo, Osaka and Nagoya. They will study the investment environment and infrastructural facilities in China's open coastal cities and acquaint themselves with the relevant laws, regulations, and preference policies in the various economic development zones.

Shanghai Introduces Foreign Investment Committee, Fee Exemptions

40060395c Shanghai JIEFANG RIBAO in Chinese
11 Jun 88 p 1

[Article by Xue Shiyong 5641 4258 5391 and Gao Xiaoxiao 7559 5135 4562: "An Efficient and Authoritative Organ Which Attracts and Satisfies Foreign Investors: Shanghai Marks the Inauguration of the Foreign Investment Committee—Zhu Rongji 2612 6954 1015 and Wang Ju 7806 5468 To Serve as Director and Deputy Director, Respectively—Shanghai Exempts Foreign Investors From Two Categories of Fees"]

[Text] Yesterday, the Shanghai Municipal People's Government held a news conference in the small auditorium of the Jinjiang Restaurant to mark the inauguration of Shanghai's Foreign Investment Committee. This efficient and authoritative organization which evaluates, approves, and regulates all foreign investment projects was officially opened for business yesterday. It will handle all business "within one organization, under one department, with one seal of approval" to simplify procedure and increase efficiency.

Those present at the news conference included Mayor Zhu Rongji and Vice-Mayor Huang Ju, who will also serve as the director and deputy director, respectively, Ye Longpei [0673 7893 5777], vice-chairman of the standing committee, and other members of the committee, Wu Jiangming [0702 4382 2474], Luguoxian [7120 0948 6343], Ming Zhicheng [2494 1807 3397], Ye Bochu [0673 0130 0443]. Zhu Rongji and Huang Ju and others introduced the comprehensive and authoritative Committee before the more than 200 Chinese and foreign guests, and also answered questions from the audience. (See report on Zhu Rongji's speech elsewhere.)

This new organization is set up for the purpose of providing the "microclimate" for improving Shanghai's investment environment. It is under the direct leadership of the municipal government. Its authority stems from three separate sources. First, it embodies the authority of the municipal government. The mayor and vice-mayor also serve as director and deputy director of this committee, which clearly demonstrates that once the organization makes a decision, all departments must comply. This ensures the smooth implementation of all projects. Secondly, it has a fairly strong decision-making body. The four committee members are deputy directors of the municipality's planning committee, foreign trade committee, economic committee, and urban construction committee, respectively, who are familiar with this area of work. They are experienced and knowledgeable, and they can make quick decisions upon examining an issue. Moreover, this organization is equipped with a small but well-trained staff who are key members of various departments. Thirdly, the authority of this organization is backed by rules and regulations. At present, they are actively revising and drafting economic rules and regulations pertaining to foreign nationals which conform to international practices, and at the same time, they intend to strictly follow the law to protect the independent operation of the foreign funded enterprises. The committee will be responsible for appraising and approving foreign investment projects worth between \$5 million and \$30 million. It will help resolve major problems encountered by the foreign funded enterprises during construction or production, and will also provide all kinds of administrative services for the foreign investors. The committee is divided into four separate departments: a project appraisal department, a comprehensive facilities department, a management and coordinating department, and a general office.

Comrade Huang Ju was the first to address the audience. He said, "our goal is 'to delegate authority, maintain efficiency, and offer our service.' Our motto is 'service with a smile, and atmosphere of congeniality; every question answered, and every promise fulfilled; full cooperation, and high efficiency.' By offering a full line of excellent services, it is hoped that foreign investors will come with enthusiasm and depart with satisfaction."

Huang Ju also announced a six-point policy measure pertaining to investments in this country: 1. further devolution of authority to appraise and approve projects, and simplification of approval procedure. The power to authorize the "three forms of import processing and compensation trade" projects (compensation trade under \$5 million) is handed down to the district, county, or bureau levels, and the power to appraise and authorize all foreign funded projects of less than \$5 million (excluding the restricted projects) is also devolved to those levels. 2. Stepping up the implementation of preferential measures to encourage foreign investments in Shanghai. Foreign-funded enterprises in Shanghai enjoy the following exemptions: one, hotels operating under Sino-foreign joint venture or cooperative venture

arrangements are exempt from the comprehensive municipal facility renovation and conversion fees, and two, foreign-funded enterprises are exempt from additional water and gas supply and sewage disposal charges; fees already collected will be refunded. 3. The imposition of new taxes or fees on foreign-funded enterprises must seek prior approval from the Shanghai Municipal Investment Committee, and can be implemented only if stipulated by the municipal government; otherwise enterprises have the right to refuse payment. 4. Implement diligently the "Notice Pertaining To the Opinion on the Right of Foreign Enterprises To Make Employment Decisions" to ensure foreign-funded enterprises have the right to make employment decisions according to international practices. 5. The municipal government has authorized the Foreign Funded Enterprise Material Service Company to import goods directly to meet the urgent construction and production needs of the foreign-funded enterprises. 6. Individuals are encouraged to act as go-betweens. A middleman who has successfully attracted a foreign investor to invest in Shanghai, upon verification by an impartial organ, will be duly rewarded.

12986

Shanghai To Comply With International Investment Practices

40060395d Shanghai JIEFANG RIBAO in Chinese
11 Jun 88 p 1

[Article entitled "Mayor Zhu Rongji Pledges Shanghai's Compliance With International Practices—Urges All Nations to Invest In Shanghai With Confidence"]

[Text] "To Improve Shanghai's investment climate and guarantee compliance with international practices in its absorption of foreign capital—these are Shanghai's solemn and long-term decisions; they will never be changed," Shanghai's Mayor Zhu Rongji declared yesterday at the news conference marking the inauguration of the Foreign Investment Committee.

At the news conference, Mayor Zhu Rongji told the Chinese and foreign guests that Shanghai has put in solid efforts to improve the investment climate. Between January and May of this year, Shanghai has approved 142 Sino-foreign joint venture projects, doubling last year's figure for the same period. In April and May, especially, 99 projects have been approved, which is more than 3 times the 31 projects approved during the same period last year. Meanwhile, other important decisions on improving the investment climate have also been made. For example, hotels set up under Sino-foreign joint venture and cooperative venture arrangements are exempt from the comprehensive municipal facility renovation and conversion charges, and all foreign-funded enterprises in Shanghai are exempt from additional water and gas supply and sewage disposal charges. With these two items of exemptions, Shanghai's

municipal government faces a substantial increase in municipal expenditures, but in order to comply with international practices, the government has made the above decision.

Mayor Zhu Rongji said that outsiders often consider the Shanghaiese "shrewd but unwise." Today Shanghai's entrepreneurs are wiser. If foreign investors are not allowed to make money, we cannot make money; therefore, no matter how much money the foreigners are making, we are not going to be jealous, as long as we are making money too. There is much more to be done to improve the investment climate. For example, we need to improve the foreign exchange regulating center which serves foreign investors and do a better job in the area of material supplies. Other issues such as the management of car rentals must be promptly resolved.

Mayor Zhu Rongji said that the conditions in Shanghai are good. The May production figures have taken a turn for the better. The GVIO is 8.5 percent higher than the same period last year. Shanghai's market supply situation is satisfactory too. Mayor Zhu urged the various consulate officials stationed in Shanghai and various Chinese and foreign guests to convey to the foreign entrepreneurs the message that they can put their investments in Shanghai with confidence, and he particularly emphasized the word "confidence."

12986

Shanghai Expands Use of Foreign Capital

HK1507111988 Beijing CEI Database
in English 15 Jul 88

[Text] Shanghai (CEI)—Shanghai introduced foreign capital in 89 items in the first half of this year with the foreign capital totalling 170 million dollars, according to statistics from Shanghai Foreign Economy and Trade Commission.

In the period, according to the statistics, 47 foreign-funded firms were approved with a total investment of 150 million dollars and 41 contracts of compensation trade involving 12 million U.S. dollars. The loans provided by foreign banks amounted to 1.5 million dollars.

Of the 47 foreign-invested enterprises approved, 44 are joint ventures and three cooperative enterprises, with the industrial enterprises accounted for 78.7 percent of the total.

So far, there are a total of 338 foreign-invested enterprises in Shanghai with direct investment totalling 1.925 billion dollars. The United States ranked first with an investment of 570 million dollars in 48 enterprises. Hong Kong followed with an investment of 440 million dollars in 159 enterprises, Japan third with an investment of 210 million dollars in 47 enterprises, and Federal Germany fourth with an investment of 140 million dollars in six enterprises.

Shanghai's export reached 2.343 billion dollars in the first half of the year, registering an increase of 16 percent compared with the same period of last year, while the import reached 990 million dollars, an increase of 43.9 percent compared with the same period of last year.

The new industrial products in Shanghai of the first half of this year include various kinds of carbon black, insulating wires, electric cables, discs, printing machine, non-defacement glass, veneer board, health-care and sanitary products.

The products also include such consumer goods as fashions, various kinds of flavouring, electronic entertainment products, electronic quartz watches, wool fabric trousers, non-woven carpets, high-grade cosmetics, various kinds of pastries, and furniture.

The foreign companies that had invested in these enterprises included five U.S. companies such as Cabot Corp and Johnson and Johnson International, two Federal Germany companies including GKN Universal Transmissions GMBH and VRW, 28 companies from Hong Kong such as Armking Co Ltd and Elrond Co, and five Japanese companies such as Japan Shinmei Electric Co Ltd and Tohokokusai Trading Co Ltd. The United States ranked first in investment, Hong Kong followed and Federal Germany third.

Foreign Firms Bid for Shanghai Subway Project
OW2607032188 Beijing XINHUA in English
0115 GMT 26 Jul 88

[Text] Beijing, July 26 (XINHUA)—Shanghai opened bids Monday for the tunnelling shield machines for its first subway, the biggest municipal project in the city.

Five bid letters were received from HDW Ltd. and Westfalia Ltd. of West Germany, Nissho Iwai Corporation and Marubeni Corporation of Japan and FCB Corporation of France, today's CHINA DAILY reported.

The highest price, 25.8 Million U.S. Dollars, was from Nissho Iwai and the lowest, 21.5 Million U.S. Dollars, from Westfalia Ltd. All the five bidders bid for a total of seven machines, although eight such machines will be needed for the project.

According to the bidding document, foreign bidders should co-operate with Chinese enterprises in joint design and manufacture.

The Jiangnan Shipyard, Hudong Shipyard and Shanghai Tunnel Engineering Corporation have been chosen by foreign businessmen as their Chinese partners.

The first machine will arrive early next year to ensure the smooth start of the tunnelling. The first phase of the 18.6-Kilometer subway line will start construction next April and be completed by the end of 1992.

Correspondent Discusses Delegating Foreign Trade Authority at Enterprise Level
40060392 Shanghai WEN HUI BAO in Chinese
23 Jun 88 p 3

[Article by correspondent Chen Shenshen 7109 3947 3947]

[Text] *Article Summary: The author believes that Shanghai has a history of successfully spending other peoples' money to develop Shanghai. Shanghai must get out of the current difficult situation whereby the city's development and the development of industry lack capital. By reforming the foreign trade structure, destroying monopolies, and delegating foreign trade authority to the enterprises, Shanghai's foreign trade capabilities will be strengthened. Thousands of businesses will converge here, and businesses from other parts of China and abroad will all be interested in coming to Shanghai to do business and invest. In this way, we will open up an unlimited source of funds for Shanghai's growth and Shanghai can become a first rate international city.*

I

The most difficult problem in Shanghai's development is the lack of investment capital. The rebuilding of the old city district and industrial development both lack investment. Construction in the new city district lacks investment capital even more. But nobody is going to blindly send their money here. So, to solve the problem of the source of investment capital, we must first resolve the question of how to make Shanghai attractive to both Chinese and foreign investors.

I believe that to make Shanghai more attractive, the most important step is reform of the foreign trade structure, placing international trade authority in the hands of the enterprises for ordinary industrial and agricultural products. This should include state-operated enterprises, collective enterprises, township enterprises, and even individually and privately operated enterprises. This can even include joint ventures and solely owned enterprises. After these enterprises have been approved, they can register in Shanghai to become single operators, assume sole responsibility for their profits and losses and assume authority to engage in the substance of international trade. To facilitate a normalized opening up of management activities, we must also make policy adjustments. Of central importance in this is establishing a foreign exchange adjustment market for all enterprises with foreign trade authority and implementing quotas and an open auction system for import-export licenses.

Presently we are on one hand saying that we encourage the expansion of enterprise exports, but on the other hand, we do not give the import-export authority to the enterprise, to the extent that there are essentially no specialized foreign trade companies besides those companies that belong to the MOFERT. We say we want to enliven business activity, but at the same time we

continue to use the old governmental administrative system to allocate quotas and import-export licenses. This makes it essentially impossible for enterprises to leave the administrative management of the government and independently engage in international competition. On one hand we encourage enterprises to reach for profits, but then the majority of money the enterprises bring in gets turned over to the government. So the enterprise that has fought for profits has no rights to use foreign exchange, while the enterprises that use foreign exchange don't need to fight for profits. Facts are very clear—if we do not use our reforms to correct this situation, our national goal for China's coastal zones' export-oriented development will be empty of content and prosperity will be impossible for Shanghai.

II

As soon as these types of reforms of the foreign trade structure begin, Shanghai's development will show great promise. The promise of Shanghai is the fact that thousands of business are all concentrated here, bringing investment and prosperity. However, with the current structure, the rights to engage in international trade are monopolized by a minority of government offices. Not only does the monopoly by a few government enterprises severely limit China's competitiveness abroad, it also dries up Shanghai's source of revenue, and points to a bleak future for the city.

The practical use of reforming the foreign trade structure is that it will destroy the monopoly of the few government offices, allowing businessmen from all over China and all around the world to come to Shanghai to do business. This will cause the huge profits of those engaged in foreign trade to become the impetus for the development of Shanghai's economy. If enterprises from all parts of China want to come to Shanghai to sell their products, Shanghai will become the most attractive city for foreign businessmen, because from Shanghai, they will be able to understand the market throughout China. Allowing enterprises from other parts of China to attract foreign business, and foreign businesses to attract business from other parts of China—this is the tactical advantage that Shanghai should employ. Utilizing this tactic, Shanghai is attractive. Starting with the development of international trade, the finance business will be activated, and the development of other types of business, and this will open up to Shanghai an unlimited source of revenue. Shanghai can then possibly become a first rank international city.

The goal of these reforms is definitely not to petition the central government for some "special policies," but rather to destroy the monopolies, providing a fair competitive market environment for enterprises from all over China that are engaged in foreign trade, enabling them to more efficiently participate in international competition. Actually, Shanghai is a city that really

doesn't fear market competitiveness. Shanghai has excellent geographical positioning, it has a tradition of commerce, and substantial economic power. It fully has the potential, in fair market competition, to develop very rapidly.

III

In making use of foreign trade structural reforms to invigorate the economy of Shanghai, we not only need the central government to promote the policies of foreign trade structural reforms. We also need Shanghai itself to take an active role. Shanghai should welcome enterprises from all parts of China to come here and invest—invest in trade, invest in gold, invest in industry and the city's development. Shanghai covers 6100 square kilometers. At present, the city district only covers 350 square kilometers. There is a great deal of land available for investment. Enterprises from all over should be welcomed to invest, not only in Pudong, but also the areas along the Shanghai-Nanjing line and the Shanghai-Hangzhou line. There is no advantage to Shanghai in not welcoming investment from enterprises from other parts of China—it is only detrimental. There are only three sources of investment for the development of Shanghai: foreigners' money, money from people in other parts of China, and Shanghai's own money. At this point we are afraid to use foreigners' money, we don't want to use the money of other Chinese and we have no money ourselves, so Shanghai can only regress day by day. Actually, the money of people from other parts of China is the money we should be spending the most of. The more we spend, the happier they are. When investment from other parts of China increases, it helps attract foreign investment. What could be wrong with that?

Shanghai has a history of successfully using the money of others to develop the city. This was historically how Shanghai became such a prosperous city. Today Shenzhen is also having a successful experience with this. Already, more than 20 billion from all over China have been invested in the development of Shenzhen, bringing with it not only the prosperity of Shenzhen, but also the usual praise. Of course, the situations in Shanghai and Shenzhen are different. Shenzhen makes use of the international city of Hong Kong to gain access to the foreign market, thereby getting impetus to develop very rapidly. This is a condition that doesn't exist in Shanghai.

So, Shanghai's development is reliant first on foreign trade structural reforms, which will make Shanghai an international trade and finance center. This will cause Shanghai's market to become an important part of the international market. This will, in turn, make the economies of Shanghai city, the Yangtze River basin and all of China build to a bright future.

Fujian Attracts Increased Foreign Investment
HK2507123588 Beijing CEI Database
in English 25 Jul 88

[Text] Fuzhou (CEI)—More foreign investment is coming into coastal Fujian Province as a result of current reform on its foreign trade structure.

The province approved 337 contracts involving 345 million U.S. dollars in direct foreign investment in the first half of this year.

The number of contracts was quadruple the figure for the same period last year while the dollar value was 11 times higher, said Zhang Shoushan, deputy director of the provincial commission of foreign economic relations and trade.

Exports are also up markedly.

Fujian exported 624 million U.S. dollars worth of goods in the first half of this year, 75 percent more than last year.

Foreign-funded enterprises in Fujian manufactured 1.6 billion yuan (about 430 million U.S. dollars) worth of goods in the first half of this year, double last year's first half figure. They earned 71 million U.S. dollars from exports, five times more than in 1987.

Yantai Mayor Interviewed on Foreign Investors
HK1907030488 Beijing CHINA DAILY in English
19 Jul 88 p 2

[By Shi Leixing]

[Text] Yantai Sino-Japanese Friendship Brewery, the only joint venture winery in the city, nearly went into bankruptcy last year, when disputes occurred between the Japanese manager and the Chinese deputy manager. The city government, after a detailed investigation, ended the dispute by removing the Chinese from his post.

In an interview with CHINA DAILY referring to the dispute Yu Zhengsheng, mayor of Yantai, said "Overseas investors should be treated not only as guests but the same as their Chinese counterparts in this city."

Yu, himself a friend of many foreign investors in Yantai, told CHINA DAILY that his government plans to set up within the next year a businessmen's club, a co-ordination committee and a special telephone line to the mayor's office.

According to Yu, the club will be an association for Chinese and foreign businessmen and leaders of the city's associated administrative departments.

Regular meetings will be held to give people the chance to exchange views, air complaints, and list their requirements, the mayor said. The meetings can be hosted by any club member, he added.

Another possible way of airing views and complaints will be by direct telephone call to the mayor's office, he said. He promised that his government will try its best to help.

The co-ordination committee will be staffed by representatives from the city's major foreign business departments. It will be another place to go in search of solutions to disputes, or of new business partners, he said.

Since 1984, when Yantai was listed as one of the nation's 14 open cities, the city has seen a great change in its infrastructure construction. Changes include the expansion of Yantai Port and Laishan Airport, the construction of a modern communications building, and other necessary facilities.

By the end of 1987, there were altogether 157 foreign-invested projects in Yantai, with the total investment surpassing \$60 million. During the first half of this year, 19 more joint ventures were added with a total \$16.16 million investment. Of these 16 have begun operation, and they are being operated, in Yu's words, "in quite a normal way".

In the next few years, the mayor said, the city would emphasize a soft environmental build-up in line with continual infrastructure improvement.

Sichuan Implements Foreign Trade Contract Management System
40060429D Beijing GUOJI SHANGBAO in Chinese
2 Jun 88, p 1

[Article by reporters Li Jian 2621 0256, He Chaolin 0149 2600 7792 and Yang Runlun 2799 3387 0243: "Overcome Basin Consciousness, Move Toward the International Market—Sichuan Implements Foreign Trade Contract Management Responsibility System"]

[Text] Sichuan Province, the land of abundance, has resolved to overcome the isolating and limiting "basin consciousness" which has long existed and will open itself to the outside world in all aspects. The provincial government has already decided to delegate foreign trade authority to the various locales and cities, implement many different forms of contract responsibility systems, push the various locales, cities and a batch of enterprises directly into the international market, and further speed up steps toward opening to the outside world and reforms.

After our nation implemented the policy of opening up to the outside world, the foreign trade of Sichuan Province has progressively begun carrying out self-managed exports, in 1985 garnering \$345 million in exchange and in 1987 making \$730 million in exchange through

exports (of which Chongqing accounted for \$230 million). Doubling in the two years, the total exchange brought in through exports has risen from 17th to 13th place in the national rankings.

Sichuan has an abundance of natural resources, an ample labor force, and an enormous potential for developing an export-oriented economy. In order to speed up the development of foreign trade, the provincial government has studied and drawn up a system reform plan based on the actual situations of development in the regions. The main points of the plan are as follows.

In some locales and cities, apportioned contracts are implemented and foreign trade management authority is delegated. On the basis of the principles of voluntary participation, this year ten cities and areas including Chengdu, Mianyang, Nanchong, Daxian, Zigong, Luzhou, Leshan and Neijiang (together accounting for about 80 percent of the export supply sources) have been implementing three-target comprehensive contracts with a fixed three-year duration. The three targets are—to earn exchange through exports, pay foreign exchange to the central government and be accountable for profits or losses. Exchange earnings over the planned target made by various locales and cities will not be retained by the province; 20 percent of the earnings go to the state and the remaining 80 percent will be kept by the locales and cities. The government reward policy which encourages earning foreign exchange through exports is wholly delegated to cities and locales for implementation.

Other locales and cities contract to supply exports and pay profits to the central government. Those who exceed the export supply plan can increase their portion of foreign exchange earnings while those who cannot fulfill the plan must use their retained foreign exchange or buy adjusted foreign exchange to make up the deficiency.

Provincial-level foreign trade companies implement contracted management. Three-target contracts throughout the province, excluding those carried out by the cities and locales under apportioned contracts, are undertaken by provincial-level foreign trade companies according to their speciality. Provincial companies should undertake the mission of garnering exchange for the province based on their lines of business and their progress should be checked accordingly. The foreign exchange earned through exports that exceed the plan will not be retained by the province. Part is paid to the state, part is distributed to the production enterprises, and the remainder goes to the provincial company for its unified operation. The company assumes sole responsibility for its profits or losses.

In order to push enterprises out into the international market where they may engage in competition, all large or medium scale enterprises which provide a supply of exports valued at over \$1 million and primarily possess

self-managed export conditions may, after obtaining approval, directly implement the three-target comprehensive contracts with the outside world in the same way.

As for the three minority autonomous prefectures of Aba, Liangshan and Garze and the seven autonomous counties, special care will be given. The foreign exchange retained by the state and passed on to the province is all given to the prefectures and counties. None will be retained by the province. Profits earned by foreign trade enterprises will be wholly retained by the prefectures and counties and no payments will be made to the state for 3 years. However, in the event of losses, no subsidies will be given.

While Sichuan province is implementing the many different kinds of contract responsibility systems, it has also decided to push for integration between industry and trade and for an export agent system. The forms are many and varied. Foreign trade companies may form cooperative or joint management with production enterprises, organize stock companies or consortium companies, and also they may pass on the export mission to the production enterprise, with the enterprises making outside deals, so as to bring more production enterprises into direct contact with the international market. In addition, we must also develop export-oriented joint ventures, cooperative enterprises, and actively develop the business of the "three forms of import processing and compensation trade." The province is in the midst of researching several ways of earning exchange from exports through joint ventures and cooperation. A conference is to be held in Beijing in June to announce the results.

13072

Xinjiang Finds Below-Standard Imports

*HK2907122988 Beijing CEI Database
in English 29 Jul 88*

[Text] Urumqi (CEI)—Xinjiang Uygur Autonomous Region found 56 batches of imports not up to the required standards during the first half of this year, accounting for 2.35 percent of the total 1,744 inspected batches.

The commodities below the mark are valued at 15.04 million U.S. dollars, representing 13.71 percent of the total import value. According to relevant documents, the problems arise from inferior quality, damage and inadequate sizes of the products. These inadequate commodities include machinery, electrical appliances, instruments and meters, metallurgical materials and light and chemical industrial products.

They came from Japan, the Soviet Union, the United States, Federal Germany, Italy, Hong Kong and Macao.

An official from the regional inspection bureau said that 55 batches are the result of the foreign traders' failure in carrying out the contracts and one is due to defects in the contract of the Chinese side.

Zhejiang Investment Climate Improves
*HK0707132188 Beijing CEI Database
in English 7 Jul 88*

[Text] Hangzhou (CEI)—The investment environment in five open cities of Zhejiang Province including Hangzhou, Ningbo, Wenzhou, Jiaxing and Huzhou—has been further improved.

Hangzhou: Scheduled flights from Hangzhou Shanghai via Taizhou have been opened. The double-track Shanghai-Hangzhou and Zhejiang-Jiangxi railways are under construction. Hangzhou-Shanghai highway is being widened. Construction of the second rail and highway bridge over the Qiantang River has started. The Grand Canal will soon be linked up with the Qiantang River. The city has installed 13,000 telephones with direct dialing service to nine countries and regions. The 36,000 kilowatt Hangzhou Thermal Power Plant will be completed in 1989.

Ningbo: A 100,000-dwt berth, two 25,000-dwt berths and an 8,600-sq-meter freight yard have been built in Beilun Port, which has an annual handling capacity of 20 million tons. There are 22 berths, three of them 10,000-dwt ones, in Zhenhai Port which can handle 4.3 million tons of cargo a year. The regular container service from Ningbo to Hong Kong has been increased to 10 times a month from six. The Ningbo-Beilun feeder railway is in operation, and so are scheduled flights from Ningbo to Beijing via Shanghai and Hangzhou. An international airport is being constructed. Other infrastructural projects have also been completed.

Wenzhou: There are 29 small and medium-sized berths in Wenzhou with an annual handling capacity of 1 million tons. The Ningbo-Kong Kong freight services and regular passenger liners stop over at Wenzhou. An airport is under construction.

Jiaxing: The first phase construction of Zhapu Port is under way and will have an annual handling capacity of 1.15 million tons. Other infrastructural facilities are under construction.

Huzhou: The city will have a new wharf. The Changxing-Huzhou-Shanghai steamer service will open in 1990. A waterworks with a holding capacity of 30,000 tons is now in operation. The 274,000 kw Changxing Power Plant will be completed by 1990.

Silk Exports Increase in Zhejiang
*HK2607122188 Beijing CEUI Database
in English 26 Jul 88*

[Text] Hangzhou (CEI)—Zhejiang Province, one of China's leading silk producers, saw an increased export of silks and satins in the first half of the year, collecting 143.3 million U.S. dollars.

Of the exported products, the province exported 47.93 million U.S. dollars worth of silk products, 74.77 million U.S. dollars worth of silks and satins and 19.22 million U.S. dollars worth of end products, an increase of 12.4, 20 and 48 percent respectively over the same period last year.

ECONOMIC ZONES

Third Shanghai Economic, Technological Zone Set Up
*HK2507052288 Beijing CHINA DAILY in English
25 Jul 88 p 2*

[By staff reporter Chen Weihua]

[Text] Shanghai—The city's third economic and technological zone—known as the Shanghai Caohejing Hi-Tech Park—was set up on Saturday.

Both foreign and domestic business people can set up ventures in the fields of biotechnology, microelectronics, information technology, optic fibre telecommunications, lasers, aeronautical technology, precision instruments and electronics in the 5 square kilometre zone.

"We hope other kinds of businesses do not enter this high-tech zone," said Li Jiagao, deputy director of the Municipal People's Congress.

Only 0.57 hectares of land in the zone has so far been developed. The development includes the provision of water, gas and power supplies and the construction of underground rainwater pipes, sewage disposal system, telecommunications system and roads.

"All these will be guaranteed," said Liu Zhenyuan, Vice-Mayor of Shanghai and head of the zone.

He said enterprises in the zone will enjoy all the benefits of preferential treatment that the city's other two zones enjoy. Such benefits include the State Council's reduction of taxes to encourage foreign investment and Shanghai's policy of encouraging foreign investment in economic and technological zone.

The Caohejing zone will also enjoy preferential treatment as a high-tech zone, which is a waiting approval of the Municipal People's Congress.

He said Caohejing Hi-Tech Park, with an annual rent of 20 yuan per square metre, was established to absorb foreign capital, introduce advanced foreign technology and initiate high-tech industries in Shanghai so the city can renovate its old industries and develop its export-oriented economy.

According to Qi Minsheng, president of the Shanghai Caohejing Microelectronic Industrial Development Corporation, about 80 groups of foreign business people have come to the Caohejing Microelectronic Industrial Park, the predecessor and part of the new zone, to discuss co-operation.

So far, two joint ventures have been set up there, the Sino-U.S. Foxboro Company Ltd, one of the 10 best joint ventures in China, and a Sino-Canadian printing circuit venture.

Qi said the plan for the zone was selected by experts from among a dozen plans, the Caohejing Zone, in southwest Shanghai, is surrounded by 12 universities and colleges, including Jiaotong University, 12 research institutes and more than 30 factories, all in the fields of electronics, precision instruments, telecommunications and aeronautics.

He said the zone is discussing co-operation and joint investment in the zone with the London office and Hong Kong and Macao office of the Bank of China.

Demarcation Line Between Guangdong, Hainan Drawn

HK0707135488 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 6 Jul 88

[Text] With the approval of the State Council, the Strait of Qiongzhou has been decided as the demarcation line of administrative division between Guangdong and Hainan Provinces, with (Shangouhou) Jiao in Xuwen county and Mulantou in Wenchang county as the end of their boundary line in the east, and with the No. 1 beacon in Haian Bay and the No.1 beacon in Haikou Bay as the end of their boundary line in the west. The (Denglao Jiao) beacon in Wuwen county and Lingao Jiao in Lingao county are the farthest end of their boundary line in the west. On the northern side lies the administrative division of Guangdong Province while the administrative division of Hainan Province lies on the southern side.

Yantai Increases Use of Foreign Funds

HK2507132188 Beijing CEI Database in English 25 Jul 88

[Text] Jinan (CEI)—Yantai, a coastal city in Shandong Province, signed 40 new contracts with foreign investors in the first half of this year, involving a total investment of 30.6 million U.S. dollars, including 19.4 million U.S. dollars of foreign funds of which 14.8 million have been put into use.

Meanwhile, 22 new Sino-foreign joint ventures went into operation in the city, bringing the total number of foreign-funded enterprises to 85, including 12 industrial and productive ones. They made 26.64 million U.S. dollars in output value and 1.78 million U.S. dollars in export earnings during this period.

XINHUA Reports Yantai Seeking More Foreign Investment

OW2807085188 Beijing XINHUA in English 0706 GMT 28 Jul 88

[Text] Yantai, July 28 (XINHUA)—Yantai, a coastal city in Shandong Province, is seeking foreign investment in 150 new development projects, XINHUA learned today.

These projects call for 400 million U.S. dollars, and involve nine industries including textiles, machinery, building materials and electronics.

Up to now the city has already clinched 385 contracts worth 444 million U.S. dollars, of which 222 million U.S. dollars of foreign investment has been put into use.

It will spend 1.5 billion yuan on transport, telecommunications and port construction in order to improve its investment environment.

Shenzhen Overseas Trade Volume Increases

HK2807133188 Beijing CEI Database in English 28 Jul 88

[Text] Shenzhen (CEI)—Shenzhen's exports totalled 1.35 billion U.S. dollars in the first six months of this year.

The overseas trade volume amounted to 26.65 million dollars, up 149 percent over the same period of 1987. The increase is largely due to the expanding of overseas markets. To date, the Shenzhen Special Economic Zone has set up 84 enterprises and trading companies in Hong Kong and Macao, and six in the United States and France.

LABOR

Labor Minister Says Ministry Now in Operation

OW1207142988 Beijing XINHUA in English 1015 GMT 12 Jul 88

[Text] Beijing, July 12 (XINHUA)—Accelerating labor reform, and that of the wage and welfare systems, will be the major tasks facing the newly-established Chinese Ministry of Labor.

Labor Minister Luo Gan announced here today that the new ministry is now in operation after three months of preparatory work.

As one of the ministries under the State Council, it will be responsible for the comprehensive administration of wages, insurance and welfare of workers, vocational training, and policies, laws and regulations, plans and reform programs affecting labor, Luo said.

Reform of the wage system must proceed from the overall situation of the national economic development and be based on three principles, namely, wages must not surpass productivity so as to keep social demand and supply in balance; egalitarianism in distribution must be wiped out; and unfairness in social distribution must be redressed, he said.

The minister disclosed that his ministry will adopt a series of measures in order to ensure that the actual income of the workers will not be lowered because of price reform and that low-income workers receive subsidies from the state.

According to statistics provided by the State Statistics Bureau, living standards of about 21 percent of urban residents dropped last year due to price rises and other factors.

The new ministry will also readjust the gap between the wages of intellectuals and manual laborers so as to raise the income level of the former. These measures will include the establishment of a personal income reporting system and the enforcement of income tax law.

The goal of the reform of the labor system, Luo said, is to get rid of the shortcomings of the existing permanent-job system and to bring in job competition.

Another problem to be tackled is that of redundant employees.

At present, China has a total of more than 70 million permanent workers, 7.5 million contract workers and over 10 million redundant hands in state-owned enterprises.

Luo pointed out that a permanent "reserve army" of unemployed is necessary to promote competition for jobs and the further reform of the labor system.

The direction of the reform of the present insurance and welfare system is to establish social insurance funds for the retired, the sick and the unemployed.

Beijing Reorganizes Labor Structure; 'Individual Performance' Gains Importance

OW2307065588 Beijing XINHUA in English
0618 GMT 23 Jul 88

[Text] Beijing, July 23 (XINHUA)—Beijing is reorganizing the existing labor structure in 67 firms involved in commerce and the service trades to improve management and promote efficiency, today's PEOPLE'S DAILY reported.

The paper quoted local authorities as saying another 57 enterprises are now trying out a new labor management system which focuses on personnel system reform. Under the old personnel system, workers were assigned to jobs for life and individual performance was not important.

Beijing authorities have decided to reorganize the labor structure in up to 50 percent of the capital's larger commercial and service firms by the end of this year.

According to a survey carried out by the city's commercial committee, the new system has brought enterprises to life and made workers more enthusiastic.

According to the paper, managers are found to be more competent since the positions have been filled through public bidding, and some Beijing workers have commented they feel happier working under managers they helped to select.

To date, Beijing is reorganizing the labor structure in more than 160 of the capital's industrial enterprises.

Underemployment Causes Trouble for Enterprises

OW1407115488 Beijing XINHUA in English
0120 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—China has been troubled by the problem of underemployment or "invisible unemployment" in enterprises, especially state-owned ones, the CHINA DAILY said today.

The paper said that the country has about 20 million "unemployed" job holders—people with work but without a productive task.

The employees of a Hebei Province enterprise were reported to have worked only four hours a day last year although they were on an eight-hour shift. In another factory, workers do an eight-hour day shift and a two-hour night shift. But it was estimated that the job could be finished within two.

The director of a factory with 9,370 workers announced he could cut one-third of the staff without affecting the factory's operation in the least, the paper said.

One reason for the existence of these millions of idle hands is that for years, to keep the unemployment rate low, labor and personnel departments all across China have been cramming workplaces with new workers despite the fact that most of the workplaces have already got more than enough hands.

To solve the problem, many enterprises have begun reorganizing their workforces. People removed from their posts stay on the payroll, but they are not given any bonuses and some are drawing only a percentage of their regular wages, the paper said.

In Shanghai, 90 enterprises have had some 3,000 workers removed from their posts. These unemployed jobholders wait for reassignment or undergo professional training if they cannot immediately find other jobs, the paper said.

Some enterprises are doing their best to create new jobs for these "unemployed". In Xiamen, Fujian Province, enterprises with surplus workers have opened their doors so that any unit can select employees from the unemployed job holders.

Of course, no matter how hard they try, enterprises cannot be expected to re-employ all their surplus workers. The final solution lies with labor markets that really offer equal chances for jobless people to compete for employment.

Social security work should be promoted to guarantee a basic standard of living for the unemployed. Without improvement in these external conditions, the internal reform of enterprises aiming at greater efficiency cannot be expected to go much further.

Henan Holds Meeting on Wage Reform in Enterprises

HK2507030188 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 22 Jul 88

[Excerpts] The Henan provincial conference on the work of letting the total payroll of enterprises float according to their economic performance, which ended yesterday, pointed out: Letting the total payroll of enterprises float according to their economic performance is a basic way that has to be followed in expanding the productive forces, increasing the vigor of enterprises and properly handling the wage distribution relationship between the state and the enterprise, and constitutes an important part in reform of the wage system. All cities and prefectures and all departments should enhance their understanding, quicken the pace and pay adequate attention to the work.

As early as last year the provincial party committee and government decided that our province should further improve the enterprise management contract responsibility system and vigorously develop the method of letting the total wage bill of enterprises float according to their economic performance. In the first half of the year, the provincial wage reform office and other departments concerned made tremendous efforts to promote the work with good results. By mid June, the provincial authorities had examined and approved plans worked out by more than 870 enterprises for letting their gross payroll float according to economic performance. Thanks to the efforts of leaders in Zhengzhou city, Zhoukou prefecture, and Zhumadian prefecture, the work developed rapidly there. The Zhengzhou City Government had examined and approved more than 80 percent of such plans submitted by industrial enterprises directly under the

city authorities. However, the work is uneven in development in the whole province. This is mainly because some cities and prefectures have failed to fully understand the significance and advantage of the work and do not have a sense of urgency.

Speaking at the meeting, Hu Xiaoyun, deputy secretary of the provincial party committee and vice governor, pointed out: Letting the gross payroll of enterprises float according to their economic performance is one of the major contents of the enterprise management contract responsibility system. Since last year many enterprises of our province have instituted the management contract responsibility system but only a few have adopted the method of letting their gross payroll float according to their economic performance. Therefore, the provincial party committee and government attach great importance to the problem and are resolved to promote the work of letting the total payroll of enterprises float according to their economic performance. From now on the state will no longer draw up unified plans for wage readjustment of enterprises workers. Enterprises which let their total payroll float according to their economic performance can increase workers' wages from their increased profits but those which do not adopt the method will have no source for a wage increase for their workers. It is hoped that all cities and prefectures and all departments will pay adequate attention to the work according to the provincial plan in the second half of the year.

POPULATION

'Asia 3 Billion Population Day' Marked in Beijing

HK0207033088 Beijing CHINA DAILY in English
2 Jul 88 p 3

[Text] About 300 people gathered at the Great Hall of the People in Beijing yesterday to mark "Asia's 3 Billion Population Day" in response to the initiative of the Beijing Declaration of Asian Forum of Parliamentarians on Population and Development (AFPPD).

Speaking at the conference, A. Laquian, UNFPA [United Nations Fund For Population Activities] deputy representative, praised China for its achievements in birth control. "Asia has much to thank China for the fact that, despite its many problems, the country has devoted a great deal of resources to controlling its population growth," Laquian said.

"There are those who have criticized China for the one-child policy," he said. "It is to be appreciated that although China is a developing country with a per capita income of only around \$300 per year, China's life expectancy of around 70 years, infant mortality rate of around 32 per thousand and the extremely low maternal mortality rate are almost equal to those found in technologically advanced countries."

Peng Peiyun, Minister in charge of the State Family Planning Commission, told the conference that in the past 10 years and more, China has adopted the principle of combining State guidance with people's voluntary efforts in family planning work. And since 1976, the natural growth rate in the country has been kept at the level of between 11 and 14 per thousand, representing a big decline as compared to more than 20 per thousand in the 1950s, 1960s and mid-1970s.

Peng said that 360 million people were born between 1962 and 1975, and the number of women aged 20 to 24, who are at their most active period of fertility, has been increasing.

From 1986, the birth rate in China started to rise again. It was 20.77 per thousand in 1986, 21.04 per thousand in 1987 and will continue to rise in 1988, she said.

Hu Keshi Speaks at Population Conference

OW0207133888 Beijing XINHUA in English
1507 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The population growth rate in Asia has declined and that has brought confidence and hope to all people in the region, a Chinese official said today at a conference to mark "The Day of 3 Billion for Asia."

The rate has dropped from 24 per thousand in the 1960s to 18 per thousand last year, Hu Keshi told more than 300 Chinese and foreigners at the conference.

Hu noted Asia has a population of 3 billion, 60 percent of the world's total, and yet it has only 32 percent in the world's arable lands. One third of the population lives in China.

Hu, a member of of NPC Standing Committee and vice chairman of the Asian Forum of Parliamentarians on Population and Development, said the population puts a lot of pressure on Asia's development.

He noted that after a decade's efforts, China's one-child policy has been followed by 32 million couples. This has brought down the natural population growth rate from 2 per thousand in the 1960s to 14 per thousand in the 1980s. Without the policy, China would have 200 million more mouths to feed.

However, Hu said, restructuring China's 1 billion population demands efforts of several generations to realize the goal of a medium-developed country by the middle of the next century.

Hu thanked the United Nations Fund for Population Activities [UNFPA] for its support and help to Asian countries.

Prod Laquian, UNFPA deputy representative, said without China's strict population policy, the world's total population would have reached 5 billion 2 years ago instead of 1.

"Despite its many problems, China has devoted a lot of resources to controlling its population growth," he said.

"There are those who have criticized China for the one-child policy, but results of the policy are clearly beneficial, not only to China, but to Asia and the world," he added.

The State Family Planning Commission awarded about 30 individuals and units for their outstanding contributions to the family planning work. State Councillor Li Tieying met them before the conference.

"The Day of 3 Billion Asia" was observed in all of China's major cities today.

Population Growth Slows for First Half of 1988

OW3107134288 Beijing XINHUA in English
1052 GMT 31 Jul 88

[Text] Beijing, July 31 (XINHUA)—China's population growth slowed down a bit in the first half of 1988, the State Statistical Bureau reported today.

A survey of 26 provinces, municipalities and autonomous regions shows that the birth rate between January 1 and May 31 was 0.38 percent lower than the same period of last year.

The bureau described this as a success of the family planning policy.

According to the survey, 51.5 percent of the new-born babies—3.1 percent higher than the corresponding figure of 1987—will be the only children of their parents.

The bureau expected to see a drop in the 1988 annual birth rate and less babies born provided, said bureau officials, the stringent policy continues to be successful.

TRANSPORTATION

Nongovernmental Transport Information Network Set Up

OW1507091588 Beijing XINHUA in English
0605 GMT 15 Jul 88

[Text] Beijing, July 15 (XINHUA)—A nongovernmental national information network has been recently launched in Wuhan, capital of central China's Hubei Province, to boost road transport efficiency, today's PEOPLE'S DAILY (overseas edition) reported.

The network was initiated by Wu Min, who gave up his job as a teacher to set up the center in Wuhan in 1986, when he heard that 52.6 Percent of the 50,000 trucks in the city every day travelled unloaded, resulting in a loss of three million yuan.

So far his center has provided clients with 6,000 pieces of information and got 8,000 tons of goods delivered by trucks, which would otherwise be idle or running unloaded part of the time.

Wu's information has helped save 500 million liters of gasoline and created earnings of some 1.6 Million yuan for clients.

Now Wu's network, with 500 agents across the country, covers all parts of the country except the Tibet and Inner Mongolia autonomous regions, and Taiwan.

According to the country's transportation departments, 47.9 Percent of the capacity of the country's 2.5 Million trucks is idle, resulting in losses of 5.9 Billion yuan.

China's truck fleets deliver five billion tons of goods every year, 60 percent of the country's total.

Also, an official from the Hubei Provincial Communications Department said his department is planning to set up a similar information agency to improve transportation efficiency.

Transport, Post, Telecommunications Detailed
HK1107125388 Beijing CEI Database
in English 11 Jul 88

[Text] Beijing (CEI)—Following is a chart of volume of transportation and post and telecommunications service in July 1988, released by the State Statistical Bureau.

	unit	1-6/88	6/88	increase over 1-6/1987
Total cargo	100 million tons	13.24	2.21	4.6
railway	100 million tons	7.05	1.71	5.2
road	100 million tons	3.43	0.55	1.4
water	100 million tons	2.76	0.49	7.2
air	10 thousand tons	14.87	2.70	13.7
Total circulating cargo	100 million tons/km	9820.6	1675.2	6.1
railway	100 million tons/km	4933.3	813.8	7.2
road	100 million tons/km	197.0	30.2	6.0
water	100 million tons/km	4686.9	830.6	5.0
				air 100 million tons/km 3.40.617.2
Total passengers	100 million persons	29.84	4.54	0.8
railway	100 million persons	3.84	0.91	5.4
road	100 million persons	22.76	3.43	-0.2
water	100 million persons	1.17	0.19	-0.7
air	10 thousand persons	664.00	126.00	19.8
Total circulating passengers	100 million persons/km	2639.3	407.4	7.0
railway	100 million persons/km	1556.3	236.5	12.6
road	100 million persons/km	896.5	140.5	-2.1
water	100 million persons/km	89.8	13.7	2.6
air	100 million persons/km	96.7	16.7	21.0
Handling output of main coastal ports	100 million tons	2.10	0.36	7.9
Total circulating volume of civil aviation	100 million tons/km	10.6	2.0	21.6
Total volume of post and telecommunication	100 million yuan	22.3	3.9	21.4

First Expressways To Open in 1988
OW2907055088 Beijing XINHUA in English
0200 GMT 29 Jul 88

[Text] Beijing, July 29 (XINHUA)—China will add 13,000 kilometers of highways to its road transportation network within this year and strive to reach the nation's goal of building 1 million kilometers of highways by the end of 1990.

Zhang Yunqiang, head of the capital construction department of the Ministry of Communications, told

CHINA DAILY the country will have its first expressways by the end of this year.

The 92-kilometer-long super highway linking Shenyang, capital of Liaoning Province, and Anshan, one of China's largest iron and steel producing cities, and the 23-kilometer-long Guangzhou-Foshan Expressway are both scheduled to be completed in 1988.

Five other expressways, of which construction has already begun, are due to be finished by 1990. The longest of these will be the 142.5-Kilometer Beijing-Tianjin-Tanggu Expressway.

Zhang also said about 200 bridges with a length of 100 meters and more have been set up or will be finished by the end of this year. The longest is the Luoxi Bridge which spans the Pearl River and stretches 1,926 meters.

He said governments at various levels had made great efforts at raising funds and securing loans, both domestic and foreign, to build more roads and bridges.

Zhang said that with the increase of highways, more freight and passengers have been carried by highway facilities in the first half of this year.

According to statistics, the number of passengers using highways in the first half of this year is 2.3 Billion, an increase of nearly five percent over the same period of last year. Freight carried by highway facilities reached 342.5 Million tons, an increase of six percent over the same period of last year.

Construction of New Roads, Bridges Develops
HK2907070088 Beijing CHINA DAILY in English
29 Jul 88 p 1

[Text] China is pushing ahead with a series of massive road and bridge construction projects for 1988, striving to reach the nation's goal of building 1 million kilometres of highways by the end of 1990.

An official of the Ministry of Communications said China will add 13,000 kilometres of highways to its road transportation network within this year.

Zhang Yunqiang, head of the Capital Construction Department, told CHINA DAILY that 600 of the 13,000 kilometres of highways that will be finished this year will be first-class roads and another 4,000 will be second-class roads.

He said China will have its first expressways by the end of this year. The 92-kilometre-long super highway linking Shenyang, capital of Liaoning Province, and Anshan, one of China's largest iron and steel producing cities, and the 23-kilometre-long Guangzhou-Foshan Expressway are both scheduled to be completed in 1988.

Five other expressways, whose construction has already begun, are due to be finished by 1990. The longest of these will be the 142.5 kilometre Beijing-Tianjin-Tanggu Expressway.

Zhang also said about 200 bridges with a length of 100 metres and more have been set up or will be finished by the end of this year. Eight of them are more than 1,000 metres long. The longest is the Luoxi Bridge which spans the Pearl River and stretches 1,926 metres.

Within this year, three bridges on the yellow River will also be constructed in Gansu Province, Ningxia and Inner Mongolia autonomous regions. Another bridge on the Huai River will also be built by the end of this year in Anhui Province, Zhang said.

Thanks to the extra fee imposed since 1985 on organizations and individuals purchasing vehicles, Zhang said, the central government has been collecting large sums of money which provide a steady source of funds for building highways and bridges. This has guaranteed the rapid development in China's road and bridge construction in recent years.

Zhang said the central government's policy of paying local road builders with grain, cotton and cloth has resulted in more than 120,000 kilometres of roads in China's impoverished rural areas from 1984, when the policy was introduced, to 1988.

He said local governments at various levels had made great efforts at raising funds and securing loans, both domestic and foreign, to build more roads and bridges.

When asked about the quality of China's highways, Zhang said less than 3 percent of China's total of 990,000-kilometres were graded first-class and second-class highways. Nearly 80 percent of China's total highways are not paved with asphalt and more than 30 percent are of such a low quality that they are not graded.

Zhang continued to say that with the increase of highways, more freight and passengers have been carried by highway facilities in the first half of this year.

Another source within the Ministry of Communications told CHINA DAILY that the number of passengers using highways in the first half of this year is 2.3 billion, an increase of nearly 5 percent over the same period of last year. Freight carried by highway facilities reached 342.5 million tons, an increase of 6 percent over the same period of last year.

Ocean Shipping Services Expand
OW1107031688 Beijing XINHUA in English
1158 GMT 9 Jul 88

[Text] Beijing, July 9 (XINHUA)—China's harbors handled 210 million tons of goods in the first half of this year, 7.9 percent more than last year's same period, according to the Ministry of Communications here today.

Of the total, 75 million tons of goods were import and export goods, registering an increase of 8.4 Percent over last year's figure.

An official said that the strain on harbors has been greatly relieved owing to the installation of more advanced facilities and effective measures taken by the government in the past few years.

The number of ships waiting for loading and unloading in harbors has been cut to 1.2 A day at present, from three or four in the past, he added.

He said more and more foreign vessels are coming to China's ports as the trade is growing rapidly. In the January-June period, 14,346 vessels called at Chinese ports.

The China Ocean Shipping Company, the largest in the country, achieved an increase of 5.41 Percent in shipping volume—carrying 35.15 Million tons of goods between January and June.

The fleet has 610 ships of various kinds—with a combined capacity of 130,000 dwt. It calls at more than 600 ports in over 150 countries and regions.

Since the beginning of this year, the firm has added more shipping services from Hong Kong to the West Coast of the United States, Australia and Singapore.

Now, the firm operates on 37 shipping routes, including northwest Europe, east and west Africa, Canada, Japan and Southeast Asia.

Experts Urge Improved Transport in Coastal Areas

OW 1807114588 Beijing XINHUA in English
1101 GMT 18 Jul 88

[Text] Beijing, July 18 (XINHUA)—Chinese experts called on the state to upgrade a number of key ports in coastal areas to meet the country's demand for export-oriented economic development. PEOPLE'S DAILY reported today.

The experts also suggested the construction of a number of small and medium-sized ports to help the key ports collect, disperse and transport goods, and service local economies.

According to the experts, who gathered in Xiamen recently to discuss coastal transport development, the current annual transport volumes in regard to passengers and freight have increased by 18 and 39 times, respectively, over 1950. The handling capacity of Chinese ports has gone up 42 times during the same period.

However, they also noted that transportation links to and from the various ports have only seen an eight fold increase while the number of berths has only doubled.

To further open to the outside world and enliven the domestic economy, it is urgent that transport conditions and facilities in coastal areas be improved, they added.

The experts urged that railway hauling capacity be increased, and a land-and-water coordinated transport system be set up.

They also suggested increased highway construction and expansion of inland river transport systems along with cargo-transferring capacity and pipeline transfer systems.

1,100 Ships Rescued in 30 Years

OW 1307181688 Beijing XINHUA in English
0632 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—China has rescued 1,100 ships in distress over the past 30 years, including 170 foreign vessels, the overseas edition of the PEOPLE'S DAILY reported today.

Nearly 1,000 seamen and fishermen from other countries and Hong Kong and Taiwan were saved during that period, while hundreds of salvage operations have been carried out.

The country now has about 10,000 professional marine salvage specialists, an official of the Communications Ministry was quoted as saying.

It also has 143 salvage and rescue ships. The fleet includes two ocean-going vessels each of 20,000 horsepower.

There are marine rescue centers in the port cities of Yantai, Shanghai and Guangzhou. There are 14 rescue stations along the country's coast, from Qinhuangdao in the north to Sanya in the south.

China's largest wharf for rescue ships of 10,000 dwt went into operation at the estuary of the Yangtze River earlier this year. It is capable of accommodating six ships at a time.

Moreover, China will spend 27 million yuan building a national marine rescue communications network during the 1986-90 period, the paper said.

Shipping Firm Carries More Freight

OW 2107133588 Beijing XINHUA in English
0607 GMT 21 Jul 88

[Text] Beijing, July 21 (XINHUA)—The freight volume carried by the government-owned China Ocean Shipping Company (COSCO) reached 35 million tons in the first half of this year, CHINA DAILY today quoted a senior official of the company as saying.

He said that COSCO could break the record of 67 million tons set last year.

Despite fierce competition in the world shipping market, the company handled more than 80 percent of ocean transport of the country. COSCO has used a foreign loan of 200 million U.S. dollars to order five container ships from abroad.

COSCO plans to seek new cargo businesses from overseas, and to open new shipping lines to France, Spain, Italy, other Mediterranean and South American countries. The company now has 41 international shipping lines, said Liu Zhu, deputy managing director of COSCO. Besides, his company will set up a number of Sino-foreign joint shipping companies in Singapore, Canada, the United States, Brazil and some Western European countries during the next two years.

So far, 14 joint-venture companies have been set up by COSCO with overseas partners in Asia, Europe and America. The company has adopted many measures to attract customers, including reducing freight charges, improving operations, management, and services, the director said.

New Electrified Rail Lines Planned

Billion Dollars Worth of Contracts Signed

OW3007071588 Beijing XINHUA in English
0627 GMT 30 Jul 88

[Text] Beijing, July 30 (XINHUA)—China will open 1,500 kilometers of new electrified railways this year.

At present, more than 4,800 kilometers of electric railways are open to traffic - only eight percent of the country's total, today's CHINA DAILY quoted a senior engineer from the Ministry of Railways as saying.

About 830 kilometers of electric rails have been completed and opened to traffic in the first half of this year, said Zhu Jun'an, deputy general engineer of the General Bureau of Capital Construction under the ministry.

Last year, the planned amount to be constructed was 500 kilometers, but only about 100 kilometers were opened because of various reasons.

Zhu said some lines could not be used after construction was finished because of easily-broken contact wires or conductors. The shortage of electricity is also one of the reasons, he said.

Electric railway construction in China began in 1958. During the Sixth Five-Year Plan (1981-1985), electrified rails increased by 500 kilometers per year. The country plans to construct 4,000 kilometers of electrified rail during the Seventh Five-Year Plan (1986-90).

But the construction is expensive, costing about 700,000 yuan per kilometer of single-track electric rail, and about 1 million yuan for double-track.

China has signed contracts worth more than 1 billion U.S. dollars to use World Bank and Japanese loans to construct new lines and renovate existing ones, Zhu said.

China hopes its electric railways will account for 25 percent of its total rails by the end of this century.

1,500 Kilometers Expected

HK3007013488 Beijing CHINA DAILY in English
30 Jul 88 p 1

[By staff reporter Gao Ji'nan]

[Text] China expects to add 1,500 kilometres of electrified railway to its rail transport network this year.

At present, more than 4,800 kilometres of electric railways are open to traffic—only 8 percent of the country's total, a senior engineer from the Ministry of Railways said yesterday.

"The construction and renovation of railways in the country are now in full swing," said Zhu Jun'an, deputy general engineer of the General Bureau of Capital Construction under the ministry.

About 830 kilometres of electric rails have been completed and opened to traffic in the first half of this year. They include the Datong-Shuoxian and Taiyuan-Yuanping lines in Shanxi Province and a Yong'an-Zhangping line in East China's Fujian Province.

Last year, the planned amount to be constructed was 500 kilometres, but only about 100 kilometres were opened because of various difficulties.

Zhu said some lines could not open to traffic after construction was finished because of easily-broken contact wires or conductors. The shortage of electricity is also one of the reasons, he said.

Electric railway construction in China began in 1958. During the Sixth Five-Year Plan (1981-1985), electrified rails increased by 500 kilometres per year. The country plans to construct 4,000 kilometres of electrified rail during the Seventh Five-Year Plan (1986-90).

But the construction is expensive, costing about 700,000 yuan per kilometre of single-track electric rail, and about 1 million yuan for double-track.

China has signed contracts worth more than \$1 billion to use World Bank and Japanese loans to construct new lines and renovate existing ones, he said.

These loans are being used to construct lines like the Yingtian-Xiamen, Zhengzhou-Wuhan, Zhengzhou-Baoji and Sichuan-Guizhou connections. All these lines are scheduled to be completed by the end of 1990.

China hopes its electric railways will account for 25 percent of its total rails by the end of this century. In Japan, electrified railways make up nearly 40 percent of the total, and in the Soviet Union, 30 percent.

Country's Air Services Expand, Diversify
OW1807105588 Beijing XINHUA in English
0959 GMT 18 Jul 88

[Text] Jiamusi, July 18 (XINHUA)—China's air services are now extending into many other fields in addition to the traditional civil and military flights, according to a current national symposium on aeronautic development policy held here in northeast China.

In agriculture, for example, air services cover all the provinces on China's mainland. These services include sowing seeds, weeding and applying fertilizers as well as sending disaster relief and spreading pesticides.

In recent years, air seeding of trees in areas of afforestation has covered 29 million hectares.

Geological prospecting, mapping, oil exploration, oceanography, power-line erection, scientific exploration, meteorology and public security are all benefitting from air services.

With the deepening of economic reform in recent years, the monopoly of the national airline company—the Civil Aviation Administration of China (CAAC)—has been broken with independent airline companies being set up by other government agencies, local governments, military units, industrial enterprises, and private businessmen throughout the country.

In the meantime, China's airplane manufacturing industry has developed and produced a variety of airplanes including the Y-5, Y-11 and Y-12.

AGRICULTURE

Impact of Three Gorges Dam on Changjiang Valley Resources, Ecological Environment
40110025 Xian SHUITU BAOCHI TONGBAO
[BULLETIN OF SOIL AND WATER CONSERVATION] in Chinese No 3, Jun 88 pp 13-14

[Article by Hou Xueyu 0186 1331 3558 of the Botanical Institute, Academia Sinica: "Review on the Effects of Three Gorges Dam on the Resources and Ecological Environment in the Changjiang Valley"]

[Abstract] The main impacts of the Three Gorges Dam on the resources and ecological environment in the area near the reservoir are: the land resource is submerged and will not be recovered, natural landscape and cultural resources are lost and will not be retrieved, and industrial and mine losses. Slopeslides and collapses could impact the reservoir, reproduction of the four major fish varieties would be restrained, and the possibility that earthquake in the reservoir, would be induced. Impacts on the resources and ecological environment on the upper reaches are: soil loss would shorten the using time of the reservoir, deposition from the dam construction would affect shipping, possibility of flood disaster on the

upper reaches, and decrease in fish variety and number. On the lower and middle reaches, the impacts are mainly flooding and waterlogging, destruction of precious water animals and fish species, decline of fish production at the river outlet and near the sea, impact of saltwater on industry and agriculture, accumulation and erosion of the sea bank at the outlet and delta, and affect shipping at the outlet and in the down reaches. These effects mentioned above are profound and serious, some are insidious, changeable and cannot be evaluated in the short term. Thus, it is critical to the development of national economy and posterity that construction of the Three Gorges Dam be considered cautiously, and not the decision of a few departments or persons.

Article Urges Reform of Forestry To Avoid Crisis
!K0308013988 Beijing NONGMIN RIBAO in Chinese
25 Jul 88 p 1

[Article by Wan Muchun 8001 2606 2504: "Rescue Forestry from its Crisis"]

[Text] Forestry is an important sector of the national economy. To protect and develop forest resources is also essential for maintaining a steady and high agricultural production.

Since the establishment of the PRC, there has been great achievement in the development of forest production. Large amounts of timber, forest by-products and special products have been provided. Artificial afforestation has been maintained at 500 million mu. There has also been great development in the afforestation of flatlands and the building of shelter-forests. However, our forestry problem is very acute, looking at both the present and the long-term situation.

As we lack a mechanism for renewing and expanding our forest resources, the resource deficit is up to 100 million cubic metres per year following the expansion of both the population and the scale of economic plans. Therefore, if no emergency measure is adopted, the accumulated mature forest that can be cut in China will have been totally used up by the end of this decade. It will then be the turn of the accumulated young growth and medium forests to be used up, until forest resources are exhausted. At present the total area of soil erosion is nearly 1.3 million square km, and a lot of irrigation work fails to benefit because many rivers are silted up. In places where a shelter-forest is lacking, farmlands are degenerated, underground water levels are lowered and wells become useless. The ecological environment will surely deteriorate faster if the decreasing trend of the forest is not rapidly reversed. It will further hamper the development of agricultural production and cause more serious ecological and economic problems.

In order to reverse the deterioration of forest resources, plundering methods should be changed completely. The original emphasis on exploiting natural forests should be shifted to developing forests that grow rapidly and

abundantly. The traditional method of extensive forestry should be replaced by the modern method of intensive forestry. Also, the single-product economy in timber production should be replaced by diversified economy, comprehensive utilization and large-scale open forestry.

To achieve this forestry goal by the end of the century, the following work must be conscientiously done: 1) Plant 100 million mu of forests that will grow rapidly and abundantly; 2) nurture 400 million mu of young growth and medium forests; 3) plant 100 million mu of famous, special and excellent economic and fuel forests; 4) build and continue to build the five great forest shelter projects: the second phase of afforestation in places around "the three Norths" [0005 0554], Beijing and Tianjin; the coastal shelter-forest project; the afforestation project on flatlands; the first phase of the shelter-forest project on the middle and upper reaches of the Chang Jiang; and the afforestation project in the Taihang Mountains.

As for the existing economic structure of forestry, major reform must be launched. There are basically two kinds of forest zones in China: the state-owned forest zones and the collective forest zones. Enterprises and foresters do not possess the enthusiasm for operating the forest themselves because both kinds of zones have been under the control of state plans for a long time. The policy of selling timber at low, unified prices prevents forest production from exchange at equal value, and even the compensation problem of minimum labor and resources is not settled. The resources of forestry enterprises and local enterprises which were developed a long time ago and have made great contributions, continue to fall, causing them serious financial problems. The country's demand for timber remains high, and the policy is to take more and give less. Therefore, the existing economic structure of forestry must be fundamentally reformed so as to achieve the above goal. First of all, a market mechanism should be worked out effectively so that the timber price can be straightened out. Also, we must set up a forestry fund and carry out an overall forestry contracted management responsibility system which is linked to the supply of resources, so that foresters and forestry enterprises can be deployed rationally and work with more initiative to accumulate and develop the forests themselves. The state should reverse the vicious cycle of passivity as fast as possible by giving financial support to forestry development. To plant trees everywhere and make the country green is a basic policy of the state. Everyone should take up the responsibility to plant trees voluntarily. This policy should be pursued continuously and thoroughly to raise forest accumulation and coverage. By the above measures, we may rescue our forestry from crisis through setting up a benign cycle of operation and management of forest resources.

Timber Base Established in Fujian Province
OW1907145588 Beijing XINHUA in English
0704 GMT 19 Jul 88

[Text] Fuzhou, July 19 (XINHUA)—A paper mill and a forest area in east China's Fujian province have gone into partnership to set up a 80,000-hectare timber base.

A local official said the base in Jianyang Prefecture is expected to provide 600,000 cubic meters of timber every year after 1991, meeting the needs of the Nanping paper mill to produce 200,000 tons of paper a year.

According to the plan, approved by the State Planning Commission, the state will allocate 20 million yuan and Fujian Province, 2.5 million yuan.

The mill and the forest area will jointly raise 46.5 million yuan for the project.

The Jianyang Prefecture has 1.5 million hectares of forests with timber reserves of 109 million cubic meters.

Fertilizer Production Figures Released

HK2607130988 Beijing CEI Database in English
26 Jul 88

[Text] Beijing (CEI)—Following is a chart showing the production and the fulfilment of state plan of fertilizer by areas in the first half of this year, released by the Ministry of Chemical Industry:

Area	(in ten thousand tons)		Percentage of the plan
	State Plan	Production 1-6/1988	
National total	1650.00	873.27	52.9
Beijing	9.06	5.12	56.5
Tianjin	6.48	3.69	56.9
Hebei	121.00	68.11	56.3
Shanxi	70.50	32.01	45.4
Inner Mongolia	11.63	6.92	59.5
Liaoning	60.40	35.27	58.4
Jilin	24.90	14.15	56.8
Heilongjiang	13.00	6.72	51.7
Shanghai	26.71	9.71	36.4
Jiangsu	114.24	61.38	53.7
Zhejiang	49.09	25.78	52.5
Anhui	68.00	36.55	53.8
Fujian	39.00	21.09	54.1
Jiangxi	27.00	15.88	58.8
Shandong	98.00	57.71	58.9
Henan	109.00	61.57	56.5
Hubei	87.50	46.61	53.3
Hunan	91.50	53.58	58.6
Guangdong	49.00	27.14	55.4
Hainan	0.49	0.25	51.0
Guangxi	37.50	17.53	46.7
Sichuan	153.50	81.15	52.9
Guizhou	40.50	17.59	43.4
Yunnan	70.70	35.00	49.5
Tibet		[Figures not given]	
Shaanxi	32.40	17.94	55.4
Gansu	12.60	6.77	53.7
Qinghai	3.26	1.80	55.2
Ningxia	8.35	4.50	53.9
Xinjiang	3.90	2.49	63.8
CPCC	220.50	99.22	41.0

Guizhou Rapeseed Output, Area

40060482d Beijing NONGMIN RIBAO in Chinese
22 Jul 88 p 2

[Text] According to a survey by the Guizhou Provincial Agricultural Bank of 23 rape-producing counties, the area sown to rape this year is 5,862,000 mu, projected output is 366,000 tons, decreases of 313,000 mu and 51,000 tons from 1987, and estimated rapeseed procurement is 331,000 tons, a decrease of 74,000 tons from 1987.

Hainan Suffers From Prolonged Drought

OW2907120388 Beijing XINHUA in English
0744 GMT 29 Jul 88

[Text] Haikou, July 29 (XINHUA)—A prolonged drought is likely to ruin this year's crops on Hainan Island, a new province on the Chinese mainland.

The 1988 early rice output was 50,000 tons less than that of 1987. Hainan planned to plant late rice to 211,333 hectares, but due to shortages of water, farmers have finished planting on a mere 33,333 hectares, local officials told XINHUA today.

In the wake of the drought that has lasted for 23 months, the water stored in reservoirs on the island has shrunk to well below one quarter of their designed storage capacity.

Since March, practically no power has been generated by hydro power stations on the island.

These stations have a combined generating capacity of 250,000 kw, out of the province's total of 380,000 kw.

Hubei Steadily Increasing Grain Production

OW2407190188 Beijing XINHUA in English
1509 GMT 24 Jul 88

[Text] Wuhan, July 24 (XINHUA)—More input and adoption of fine grain seeds have enabled central China's Hubei Province to score a steady increase in grain production since 1978.

The province's grain output rose from 17.3 million tons in 1978 to 23.2 million tons in 1987, an official of the provincial Bureau of Agriculture said here today.

Hubei, one of China's leading grain producers, reported a good harvest of summer grain crops this year despite a cold winter last year. Its 730,000 hectares of early rice now promise a good harvest.

The province has spent 260 million yuan in agriculture annually since 1985, up from the previous annual investment of 160 million yuan, the official said.

The amount of chemical fertilizers used in the province each year has risen from 3.72 million tons to 5.07 million tons.

Moreover, the acreage sown to hybrid rice increased from 130,000 hectares in 1978 to one million hectares in 1987. The acreage sown to hybrid maize soared from several thousand hectares to 400,000 hectares during that period.

As a result, Hubei farmers harvested an extra 2.5 million tons of rice and maize during the same period, the official said.

Since 1983, Hubei has also invested 72.4 million yuan in building 16 county-level grain production centers, which increased their grain output by 675,000 tons during the 1983-87 period.

The net income per rural resident soared from 110 yuan to 463 yuan during that period, the official said.

Jiangsu Summer Grain Output

40060503a Nanjing XINHUA RIBAO in Chinese
15 Jul 88 p 1

[Excerpt] Summer grain output in Jiangsu Province was 11,540,000 tons, the same level as 1987; and rapeseed output was 630,000 tons, a decrease of 230,000 tons from 1987.

Jilin Hog Production

SK1707111088 Changchun Jilin Provincial Service
in Mandarin 0930 GMT 15 Jul 88

[Text] After allowing the peasants a free hand in breeding and selling hogs, the peasants' initiative in breeding hogs has been enhanced, and a favorable turn has been effected in the province's hog production.

According to statistics, during the second half of this year, the number of hogs in stock throughout the province reached 4.297 million, an increase of 566,000, or 15.2 percent, over the number during the first quarter of this year. Meanwhile, the number of hogs in stock rose in varying degrees in all localities. Among the hogs in stock, the number of fertile female hogs rose by 5.8 percent over that during the first quarter of this year. However, the number of hogs in stock was still less than that during the corresponding period last year, and the hogs slaughtered also decreased accordingly.

Inner Mongolia Boosts Livestock Production

OW2407114688 Beijing XINHUA in English
1440 GMT 23 Jul 88

[Text] Hohhot, July 23 (XINHUA)—Huge investments in animal husbandry are paying off in the Inner Mongolian Autonomous Region.

This year the regional government has spent 569 million yuan, 11.8 percent more than last year, in promoting farming and animal husbandry production.

The result: Numbers of livestock have reached 42 million, a 4.2 percent increase over last year.

The region is China's key animal husbandry base.

The survival rate of animal breeding is now at 96.4 percent, the highest in the past five years.

Livestock propagations reached 12.79 million in the first half of this year, 1.37 million more than the same period last year.

Per capita income for herdsmen in the region during the period reached 495.77 yuan, an increase of 31 percent.

Inner Mongolia Peasant Income

SK2707131188 Hohhot Inner Mongolia Regional
Service in Mandarin 1030 GMT 21 Jul 88

[Summary] According to a sample survey conducted by the Inner Mongolia Regional Statistical Department, by

the end of June, the cash income of peasants reached 123.5 yuan per capita, 35 yuan more than the corresponding period last year.

Ningxia Chemical Fertilizer Plant

OW2207004488 Beijing XINHUA in English
1352 GMT 21 Jul 88

[Text] Beijing, July 21 (XINHUA)— After 3 years' construction, a chemical fertilizer workshop at the Ningxia Chemical Plant in Yinchuan, capital of Ningxia Hui Autonomous Region in China's northwest, went into operation Tuesday. The workshop was a major state project in the Seventh 5-year Plan (1986-1990), which will produce 850,000 tons of chemical fertilizers annually.

PRC Scholar Discusses Country's Mainland Policy

40050347 Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 222, 1 Jul 88 pp 74-75

[Article by Huan Guocang 1360 0948 5547: "The Relationship Between the Two Sides of the Taiwan Strait and Taiwan's Mainland Policy"]

[Text] Three years ago, this writer wrote an article for the WAI-CHIAO CHI-K'AN [FOREIGN POLICY] on Taiwan's political development and mainland policy. Looking at it now, this writer's estimation at that time of Taipei's political inheritance after Chiang was as if I had dropped my glasses: At least up to now, Taipei's political development has been stable and ideal. But this writer's views on Taipei's choice of a mainland policy were essentially in accordance with reality. Reducing friction, relaxation of the strained situation, and gradual expansion of all nonofficial contacts with the mainland have become the basic trend in Taipei's new mainland policy.

What, then, was it, basically, that led Taipei to change its mainland policy? According to this writer's observations, the following points are important:

First, major changes have taken place in the uppermost level of Taipei's political structure. Chiang's death caused the original strong-man regime to change into some kind of a structure with multiple centers of political power. Although the new power structure has not yet been stabilized and institutionalized, its essential characteristics are gradually becoming apparent. Under this power structure, there is no absolute authority. Major policy decisions have to be argued out between various political powers, and become finalized only after mutual compromises. On every decision, various persons and parties will "play touch ball" with the particular political issue in question, or someone will make a courageous breakthrough on the pattern of "execute the man first and ask for the emperor's approval later," for which there is now much more latitude than before. The original laws and regulations do not essentially fit anymore the reality, which has undergone important changes, and new laws and regulations have not yet come out.

With the advance of pluralism in Taiwan's political developments, which has already shown decisive progress in such areas as organizing parties and elections, playing the "will of the people" card is not only one of the main forms adopted by the ruling party and opposition party as well as by the other political forces in the political contest of strength, but has also become an important bargaining counter of the various political forces within the ruling party in their mutual competition and compromises. Evidence of this is seen in the various issues of visits to relatives, cultural and scientific exchanges, and trade relations. Under this new power structure, the problem of the "provincial registry" of some in the higher echelon of the ruling party may also

reappear in a new form. Leaders in these higher positions with a background of Taiwan registry will frequently act with greater ease, politically, than those from outside of Taiwan when pushing for a policy of opening up toward the mainland. This opening-up policy will not only help mediate the contradictions in the matter of the provincial registry within the party, but will also help tune down the social and political pressure from the Taiwan independence movement.

Another peculiarity in the evolution of the higher level of Taiwan's power structure is that the young are replacing the old. Chiang's death provided a broad opportunity for the younger faction in the upper echelon of the ruling party to gain power. This faction of younger persons is not burdened with a very heavy historical load. Their attitude in the mainland policy issue is one of realism and flexibility. Their self-confidence exceeds that of their forbears.

Second, the relationship between state and society is now in the process of undergoing a series of profound changes. The founding of an opposition party indicates that the political development of Taiwan's society has reached a new historical stage. Although the opposition party is up to now obviously still immature in its theory, organization, and strategy, its appearance as such means that a substantial change has taken place in the operations of the entire society (including the ruling party). At the same time, at least during the last 8 or 9 months, the opposition party and the other social and political forces have intensified their challenges to the ruling party. In this sense, the political situation and society on Taiwan have indeed entered a new era of turbulence.

What deserves particular attention at this historical turning point is the development of the Taiwan independence movement and the attitude toward it assumed by the various social and political forces on Taiwan. Since Chiang's death, the voice of the Taiwan independence movement has grown distinctly louder. The Taiwan independence movement has also shown a brisk increase in its organized and unorganized activities. These developments are of course the natural result of Taiwan's more liberal political atmosphere and a relative decline of the ruling party's authority. However, at least for the near future, the Taiwan independence movement will not become the main trend on Taiwan's political stage. That movement also appears to be unable to gain the support of the majority of people. If the ruling party will show itself capable of effectively handling the various social, economic, political, and cultural issues, pressure from the Taiwan independence movement will correspondingly decrease. As far as the majority of citizens of an urban society of considerable prosperity are concerned, social stability and a continuously improving living standard are always found preferable to any kind of political objectives. If the price to pay for Taiwan's independence is internal social upheaval and externally a tense situation, or even war, the Taiwan independence

movement will hardly become the goal that the mainstream of Taiwan's intellectuals and urban society will want to pursue. As far as the ruling party is concerned, in addition to continuing pursuit of its "Taiwanization" policy and actively mitigating all other social contradictions, a further opening up, in a planned way, toward the mainland would be one of the effective ways of dissolving the pressure from the Taiwan independence movement.

Third, through its various contacts during the previous stage, Taipei's self-confidence has grown stronger. Taipei is gradually realizing that it has nothing to fear from the so-called "united front." Taiwan has achieved a certain maturity in its economic, cultural, and political development, and increased contacts with the mainland will not unsettle or disturb the situation. More importantly, due to relaxation in the strained relationship between the two sides of the Taiwan strait and due to better mutual understanding, Taiwan's views of the nature of the relationship between the two sides of the strait are now different from what they had been in the past. In actual fact, the relationship between the two sides of the strait are no more the life-and-death "zero-sum game," but a "non-zero-sum game" of coexistence. In other words, apart from a contest of strengths and competition within certain limits and to a certain extent, both sides will also gain some new common benefits, as these common benefits have arisen in the course of their mutual contacts. These common benefits are, very obviously, the initiation of trade, further relaxation in the mutual relationship, avoidance of conflicts, and restraining the Taiwan independence movement. Without the gradual increase of these benefits, without the new understanding and new views that have gradually grown in the course of the extended contacts of various kinds with the mainland, Taiwan would not lightly adjust its mainland policy.

Fourth, in all fairness, Beijing's Taiwan policy has remained immutably firm during the past 3 or 4 years. The main points of its policy are not trivial controversies over the patterns of unification, but its main emphasis is on expanding the various channels of actual contact. Compared with what it was several years ago, Beijing has greatly relented in its methods of forcing its views on others. While there is no relenting in the one matter of considering itself compelled to use military force in case Taiwan declares itself independent, Beijing has hardly ever issued hot-tempered and insubstantial official declarations. In the course of the various contacts, Beijing has avoided as much as possible politicization of the situation and also avoided putting on the big hat of "unification" at every turn of events. This method of less empty talk, less propaganda, and emphasis on substance and effectiveness has expanded the sphere of common benefits to be enjoyed by both sides, as it has also eased feelings of distrust and anxiety on the part of Taiwan.

It may be worth mentioning here specially the trial on Taiwan of the two suspects in the recent hijacking of a plane to Taiwan. We must say that this enlightened way

is a new starting point in handling the relationship and contacts between the two sides of the strait according to the concept of rule by law. In the past few years, Taipei and Beijing have been troubled by the fact that they could not prevent these "acts of righteousness," made possible thanks to the modernized means of conveyance. With the great rewards offered, brave men were bound to be forthcoming, as has always been the case, and it would have been impolite if there were only comings and no goings. To be honest, these invitations to surrender and admissions of renegades, to an extent seldom seen in the world, were of almost no actual effect at all. The ordinary people of both sides have already matured to the extent of not believing that the acts of a few "heroes" and "returnees" signify that a billion mainlanders hope to go to Taiwan, or that 18 million Taiwanese hope for immediate reunification. In my opinion, every person should enjoy the right to choose where he wants to live. In this sense, we should not reproach anyone who leaves the mainland for Taiwan or anyone going the other way. However, if these "acts of righteousness" are performed at the price of endangering other people (even if only that of the copilot) it is an act of terrorism, which should not be rewarded, but should be penalized according to law.

Fifth, the entire international atmosphere is benefited by a further relaxation and improvement in the relationship between the two sides of the strait. Washington's essential benefit from it is that it does not hope to see the entire East Asia region become destabilized or even involved in turmoil by another straining of relations between the two sides of the strait. This means that the mainstream of Washington's foreign policy is not much interested in the Taiwan independence movement. Besides, although Washington does not regard it possible that China will be reunified immediately or within a short time, the further improvement in relations between Beijing and Taipei will be helpful in the development of good relations between the United States and China. Although there have been some twists and turns in U.S.-China relations during the past 2 or 3 years, with regard to certain specific policy issues, the fundamental development has been one of stable and mature progress. At the same time, the economic relations between Taipei and Washington have become increasingly strained. Washington continuously pressures Taipei to readjust its exchange rate, open up its market, and voluntarily reduce its exports to the United States. To a certain degree, Washington's protectionist policy toward Taipei is one of the reasons why Taiwan's industrialists hope that the mainland market will be opened to them as soon as possible. As to the other East Asian countries, they generally do not show their attitude on the issue of the relationship between the two sides of the strait. As far as they are concerned, a further relaxation in the relations between the two sides of the strait is beneficial for peace and stability in the area; in the opposite case, their basic political and security interests would be seriously jeopardized.

In long-term perspective, further developments in the relation between the two sides of the strait will be

determined by the following factors: 1) Taiwan's internal development; 2) The mainland's internal development; 3) Changes in Hong Kong during the approach to and after 1997; 4) The international scene, especially the development of U.S.-China relations; 5) Progress in the contacts and interchanges that have already started between the two sides of the strait. As to Taipei, if the fundamental starting point of its mainland policy will no more be the unrealistic "reunification under the three people's principles," but will rather be further relaxation of the strained relations, balancing the independence forces on the island, and safeguarding, to the largest degree possible, its present political interests, the crucial point of its policy will then be how to coordinate its mainland policy with its "provincial registry" policy. As to Beijing, without the political atmosphere of further internal reforms and relaxations, without a policy of opening up to the outside world, and a more realistic policy toward Hong Kong, they would have no foundation to base their Taiwan policy on.

Many years ago, professor Hu Shih [5170 6624] made the famous remark: "Let us talk less of 'isms'." Applying this famous remark to the development of relations between the two sides of the strait, we get: Less talk of "isms," less talk of models (with reference to the various models for reunification), and more substantial action. It means, if Beijing and Taipei would talk less, or even not talk at all, of their "isms," which they themselves even half-doubt, if they would less talk of the various models which have all kinds of names but which are hardly of any use in the developments of the present actual conditions, the development of their mutual relations would proceed much more smoothly. What is now required is not empty or big words, but a further relaxation of the strained atmosphere, reduction of frictions, expansion of exchanges, and better mutual understanding. This kind of realistic method is in the interest of the people on both sides of the strait, and is also helpful for the stabilization of the area. In long-term prospective, it is also helpful for the unification and prosperity of the Chinese nation.

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Lee Teng-hui Speech Outlines Future 'Important' International Role for Country
40060363b Taipei CHING-CHI JIH-PAO in Chinese
21 Jun 88 p 1

[Report on speech by President Lee Teng-hui to the 16th World Chinese Traders Conference, in Taipei, 20 Jun 88]

[Text] In an address to the 16th World Chinese Traders Conference, President Lee Teng-hui said the government is determined to play an important role in international political and economic affairs during the 21st century, and he noted that, under the government's program of promoting internationalization and liberalization, overseas Chinese business leaders can provide information,

investment and other assistance in such areas as market diversification, international finance and even the government's effort to create the International Economic Development Fund.

President Lee appeared in person to address the conference, which opened yesterday at Taipei's Asiaworld Plaza Hotel and was attended by 619 representatives from Taiwan and 55 other countries and regions.

Citing an economic forecast prepared by the Council for Economic Development and Planning, President Lee predicted that per capita income in the ROC will reach \$15,000 by the year 2000, when the average on the Chinese mainland will be only \$1,000. This contrast, he declared, demonstrates that it is with the Three People's Principles that the hopes of the nation's economic development truly rest and that the Chinese Communists will never be able to escape the shackles of poverty and backwardness if they refuse to abandon the four cardinal principles they insist in upholding.

The President also stated that, with its \$75 billion in foreign exchange reserves, the ROC will actively participate in international finance in the future and that Chinese businessmen can become the bedrock of the ROC's efforts in this area. Entrepreneurs from advanced regions can suggest means by which we can adapt to economic change in those regions, while businessmen from developing countries can exchange information with and help us create international marketing networks so as to further the development of Chinese business.

Wang Yu-ts'eng, chairman of the conference's opening ceremonies, noted that the meeting, which is entitled "World Chinese Traders in the 21st Century," will enable overseas Chinese businessmen to conduct trade talks with domestic industrial and commercial circles and allow both sides to discuss two-way investment so as to integrate the forces of Chinese entrepreneurs at home and abroad.

12431

Firms Voice Complaints, Desire To Invest Abroad
40060363a Taipei LIEN-HO PAO in Chinese
19 Jun 88 p 3

[Text] The forums of medium and small enterprises recently held by the Ministry of Economic Affairs have revealed that a "qualitative change" has occurred in the attitudes of most firm owners. These proprietors used to ask the government to help them automate, rationalize and strengthen management so as to improve their operations. But today most of them hope the government will permit them to invest in Southeast Asia, the mainland or elsewhere abroad, believing that this is the simplest way they can survive.

It is reported that, since the passage of the Executive Yuan's Medium and Small Business Guidance Program, the Medium and Small Business Administration of the Ministry of Economic Affairs has been providing firms with individualized guidance through the (?Private Management Consultant Co [minjian guanli guwen gongsi 3046 7035 4619 3810 7357 0795 0361 0674]) But because this guidance has failed to address the real difficulties and problems specific to each industry, Vice Minister of Economic Affairs Hsu Kuo-an [1776 0948 1344] called for the convening of separate conferences for each industry.

These meetings included sessions for the garment industry, shoe manufacturers, furniture, toy makers, automobile parts and the like, and participants included the (?Medium and Small Business Administration [zhong-xiao qiye sheng], the Chinese Productivity Center, the Taiwan Provincial Medium and Small Business Bank, the Provincial Bank Joint Guidance Center for Medium and Small Businesses [*], the Ministry of Finance's Department of Monetary Affairs, the Ministry of Interior's Department of Employment and Vocational Training Administration, the Council for Economic Planning and Development and, on the entrepreneurs' side, board chairmen of trade associations and corporate representatives.

In the first few meetings, we got an earful of complaints addressed to the government, few proprietors demonstrated determination and boldness in overcoming problems, and entrepreneurs expressed uncertainty about the future.

Officials who participated in the meetings report with great consternation that, whereas in similar forums in past years entrepreneurs aggressively asked the government to help them automate, rationalize and improve their managerial skills, the things they are concerned about now are how to invest abroad, why they cannot go to the mainland to invest, and how labor-management conflicts can be resolved—all short-sighted reactive responses that ignore the long term and shirk the difficult work needed to improve the current system.

Entrepreneurs complain that the government does not care about them, treats their firms like sunset industries—even though they produce high-volume export products, and has long failed to offer them encouragement, so they feel slighted.

Entrepreneurs no longer find dignity in their positions. Their workers organize and bang tables over the slightest issues, one TV commercial after another tells workers they can make demands of their bosses, and government decrees continuously harp upon the fact that businesses will be held responsible for all past acts. So proprietors wonder, "Who is going to protect us?"

As their disillusionment with the domestic investment climate grows, entrepreneurs have increasingly come to feel that there are many restrictions on their lines of retreat—investment abroad or on the mainland, so they are becoming more and more dissatisfied with the government. The Executive Yuan's Directorate General of Budget, Accounting and Statistics reports that it is medium and small enterprises that have suffered most from the appreciation of the New Taiwan dollar and from protectionism overseas and thus that these firms have performed worse than big ones in all areas—earnings, profit margins and propensity to invest.

In a survey conducted by the directorate, most medium and small enterprises responded pessimistically to five indicators, including operating revenue gains, profit margin outlook, anticipated equipment investment, and outlook for production equipment, whereas large firms appeared more confident.

In the area of earnings, large companies having total capital of NT \$200 million or more expect gains of 11 percent this year, medium-sized firms with NT \$50-200 million in capital forecast gains of 6 percent, whereas small enterprises having less than NT \$50 million in capital expect a decline of 2 percent.

As for investment plans, large firms expect their equipment investment will grow by 16 percent this year, medium-sized companies foresee a 3 percent increase, but small enterprises envision a drop of as much as 15 percent.

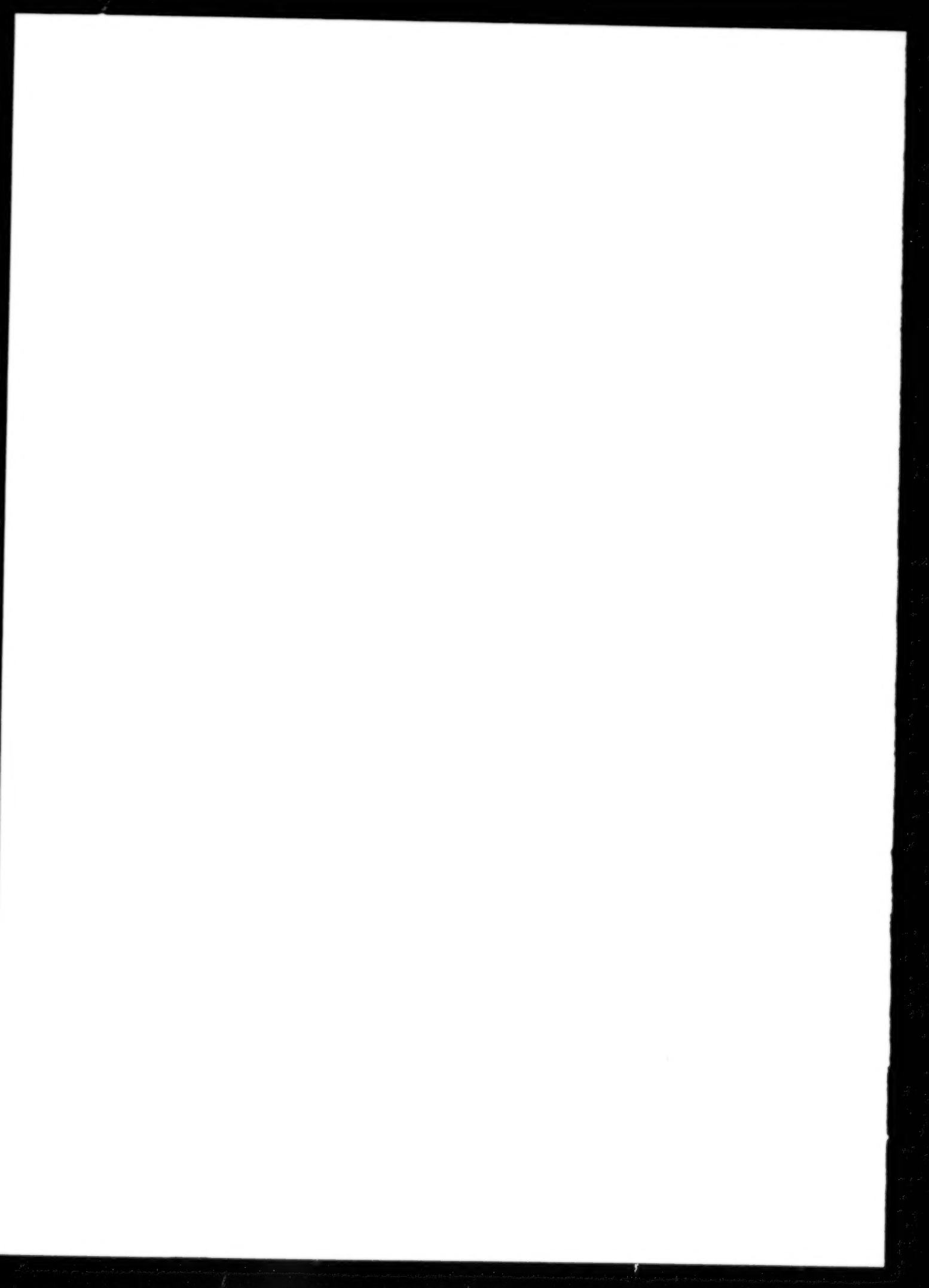
A directorate official reports that medium and small enterprises are having a very difficult time adapting to changes in the domestic and external economies, that their operations fluctuate greatly, and that their exports to the United States have plummeted.

The official expressed great concern, stating that, when business conditions were bad in the past, medium and small enterprises used to focus their efforts on opening new markets and developing new products but now, with rampant currency speculation in the last 1-2 years, some medium and small enterprises are ignoring their traditional operations, putting their funds into stock, real estate, futures and other "speculative" investments, and are unwilling to engage in regular investment activities.

Indicators of Business Outlook and Willingness To Invest in the Private Manufacturing Industry During 1988

	Sample Size (No. of Firms)	Rate of Increase in Operating Income		Outlook for Profit Margins		Outlook for Product Supply and Demand		Outlook for Production Equipment		Rate of Increase in Equipment Investment	
		1987	1988	1987	1988	1987	1988	1987	1988	1987	1988
Total for Manufacturing Industry	1,067	16.60	8.18	6.19	-7.79	1.87	-7.34	1.52	0.00	50.19	8.52
Less than 50	496	6.74	-1.99	-14.00	-19.07	-3.21	-9.36	0.10	0.26	31.86	-14.57
50-199	409	17.10	6.20	0.49	7.33	0.59	-8.26	2.01	0.36	38.44	-3.31
200 and Up	162	18.79	11.30	13.17	-5.81	3.55	-6.55	1.61	-0.20	57.48	15.50

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